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Chapter 1

EXECUTIVE SUMMARY

1.1. Mayoral foreword

The purpose of this report is to give feedback on the performance of Modimolle Local Municipality for the 2010/11 financial year. We have been mandated by the community through public participation to address their needs and provide effective and efficient services. In 2010, we witnessed the economic growth where the business community, together with government sector, engaged in the creation of jobs. It is our responsibility as politicians to adhere to the key priorities of government which were announced by the President Jacob Zuma during the state of the nation address. Our key performance areas are in line with the five priorities of government, which are as follows:

- Creation of decent work and sustainable livelihoods
- Education
- Health
- Rural development food security and land reform
- The fight against crime and corruption

During the budget speech 2010/11, we made a commitment to allocate the budget as per the priorities of the communities which emanated from the IDP consultative fora. The budget was distributed as follows:

- 60% was allocated to Infrastructure Development to support provision of water and sanitation.
- 30% was allocated for Institutional Transformation
- 5% was allocated for Local Economic Development
- 5% enhancing public participation and good governance.

Modimolle Municipality has potential to achieve great economic development. Our town has the economic potential of development as we are the gateway to the huge development of Medupe power station in Lephalale. Vaalwater is earmarked as the tourist hub to attract more investors in agriculture and tourism.

We can proudly say that we are **“The gateway to Limpopo and the eco-tourism destination of choice”**.

Working together we can build better communities

Vaalwater, Boschdraai and Alma are surrounded largely by agricultural and tourism activities. Together these sectors are the major contributors of employment in the area. Sector shifts and the changes in the mode of activities in these sectors brought about undesired consequences.

During the year under review the following were identified as the socio-economic factors which resulted in:

- Declining population growth trend.
- Indigents
- child headed families
- unemployment
- High HIV/AIDS infection rate.
- Limited supply of skilled labour.
- High poverty incidence.
- Limited produce activity in the primary economic sector.

The best performance was seen in the strategic objectives of the following:

- Promote the welfare of the community
- Promote and encourage sustainable economic development
- Ensure effective and efficient public participation.

The biggest challenge we faced is to attract, develop and retain human capital.

We are pleased as the municipality that we adhered to legislative requirements, for example:

- The 2009/10 annual report was adopted by council before the end of March
- The Draft IDP and Budget was tabled to council by the end of March.

Let me thank our community, especially ratepayers for the commitment in paying for services.

I want to express my sincere appreciation to our taxpayers, business, community and households who adhered to paying their dues to the municipality.

Let me extend my appreciation also to the Executive Committee, Councilors, Ward Committees, Management and Labour Organizations for the excellent work and support in rendering services to our community.

I thank you

K E LEKALAKALA
Mayor

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1.2. Municipal Manager's overview

Basic service delivery

Water Services

Of the 19 804 households, 18 654 have access to basic water. The backlog is at 5, 81%. However, there are still challenges to be addressed regarding bulk water services. Vaalwater and Alma are largely dependent on boreholes. There is a need for a permanent water source and storage facilities.

Sanitation

The backlog on sanitation is still at 25% with Alma community using mainly pit latrines. Alma does not have a waste water treatment plant. In Vaalwater, oxidation ponds are used and which are insufficient for effluent generated. The phase 1 of Modimolle waste water treatment plant upgrade is completed.

Electricity

The upgrade of power supply to Vaalwater from 850kva to 3500kva was completed in the year under review. Designs for the upgrade of Modimolle sub-station and internal reticulation were completed and the projects will start during 2011/ 12. The electrification projects for Vaalwater Extension 4 and Phagameng Extension 9 were completed.

Roads and Storm Water

Maintenance of roads and storm water channels was done. Many gravel streets were eroded by heavy rains in Alma, Vaalwater and Modimolle and were repaired.

Waste Management

There is a need for land to establish landfill sites in Modimolle and Vaalwater. Refuse collection is done in all municipal area with the exception of farming areas. We have got a backlog of 10%.

Financial Viability

The Municipality obtained qualified Audit Report for the second consecutive year in the year under review. The debt collection poses a challenge and is being addressed with assistance of external service providers.

Local Economic Development

The Municipality has facilitated the development of SMME's and NGO's and assisted them to engage in economic activities. This was possible due to co-operation with government departments and parastatal entities.

Governance and Public Participation

The Municipality has facilitated public meetings to engage the community on the IDP/ Budget matters and council resolutions. IDASA helped the Municipality to conduct community satisfaction survey during the year under review.

K S Lekala

Municipal Manager

1.3. Municipal functions, Population and Environmental Overview

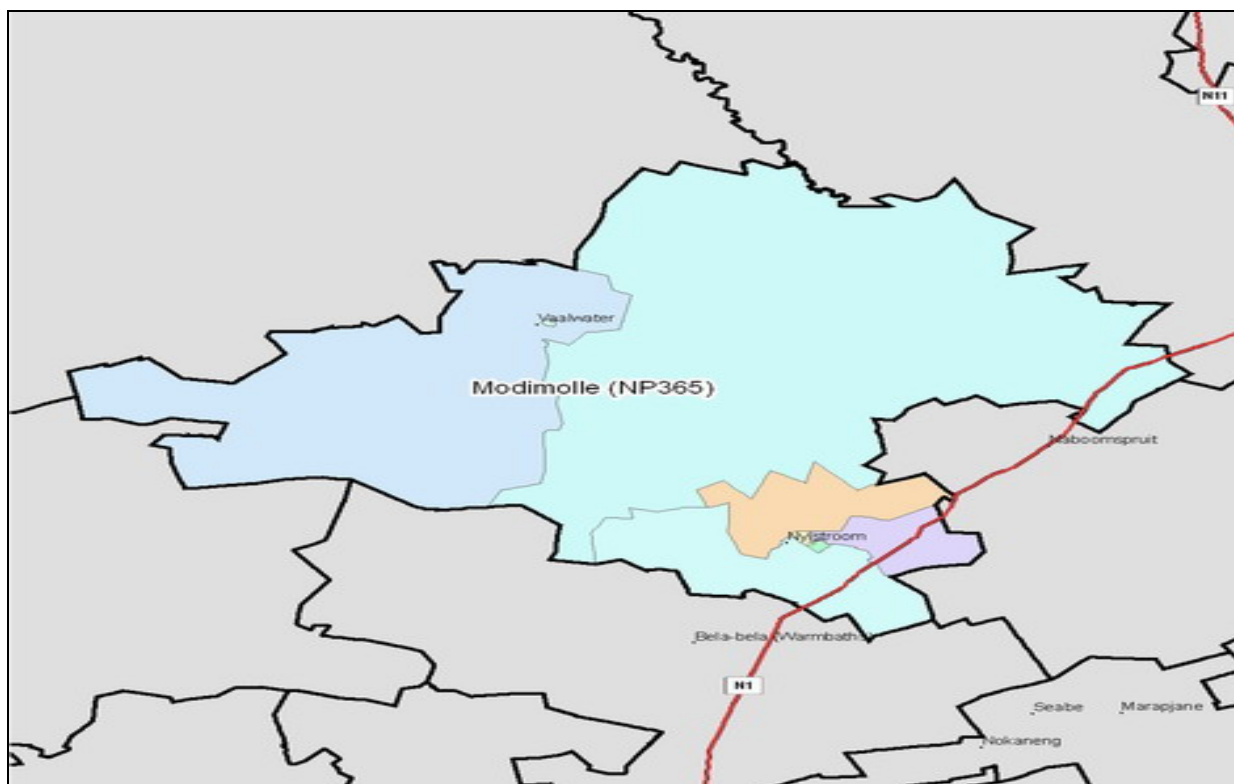
Situational Analysis

The Modimolle Local Municipality (MLM) is situated in the Waterberg District Municipality (WDM) within the Limpopo Province. The municipality shares borders with Bela-Bela Local Municipality to the South, Mookgopong Local Municipality to the North, Thabazimbi Local Municipality to the South-West, Lephalale Local Municipality to the West and Mogalakwena Local Municipality to the North-West. MLM is at the centre of the WDM and is therefore the administrative capital of the Waterberg District.

The municipality is strategically located, with the R101 passing through it. The N1 connects Gauteng (Southern neighbouring provinces) with Limpopo, the Northern neighbouring province. The link provided by the district can create an enabling business climate for the municipality as a distribution point to support vast growing developments in the surrounding areas. The Modimolle town sits at the intersection of the R33 and R101 which provide added economic advantage as outlined in the Road Network System.

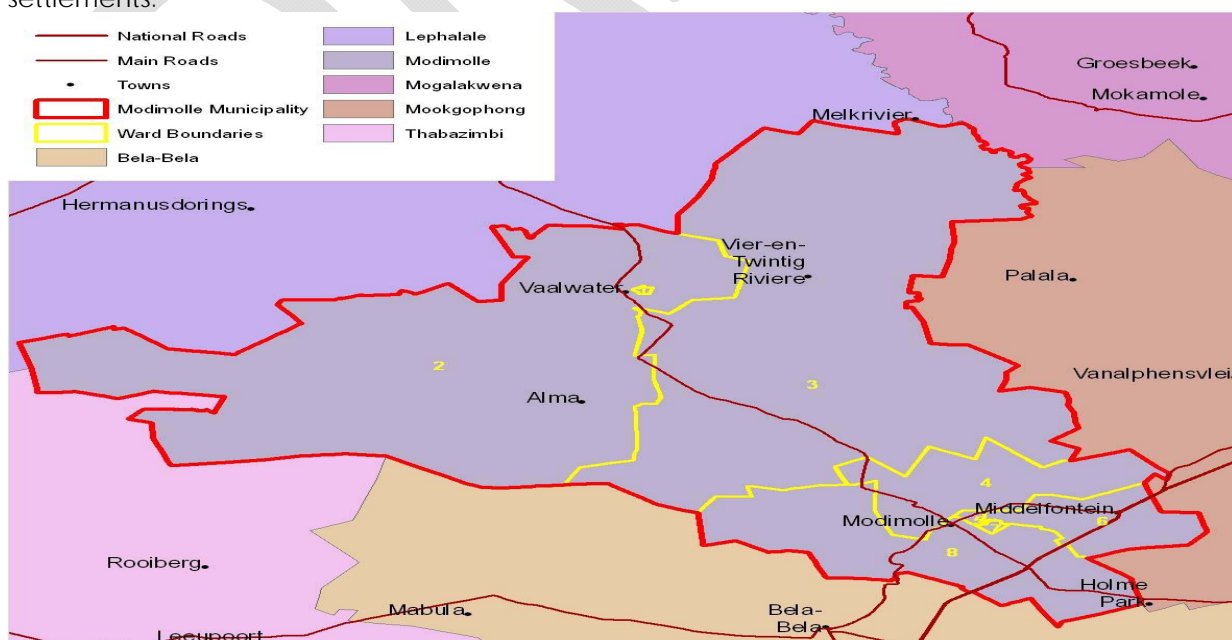
The municipality is also located at a strategic position at the intersection of two provincial roads, R33 (connecting the East to West) and R101 (connecting the South to the North). This provides a business development opportunity of developing and marketing Modimolle as a distribution point to support vast growing development in Lephalale and Polokwane. Modimolle town in particular is more or less equal distance from two developed cities, Polokwane and Pretoria, and provides a cost reduction benefit in logistics should provincial and regional offices be located in Modimolle.

See Map:



Map 1: Modimolle Local Municipality (Municipal Demarcation Board)

Modimolle has three towns namely, Modimolle town which is a provincial growth node, Vaalwater which is a municipal growth node and Alma which is a municipal service node. Modimolle is demarcated into 8 wards, mostly characterized by farms, townships and informal settlements.



Map 2: Modimolle Municipality Wards: Source (Municipal Demarcation Board)

During the IDP review process Modimolle identified the following challenges:

- Shortage of Water in Vaalwater;
- The need for sewer reticulation in Vaalwater and Alma;
- The need for storm water drainage in Vaalwater;
- The need for electricity in informal settlements and farm dwellings;
- The need for Apollo street lights;
- The need for tar roads to support and encourage public transport to farm areas and Alma;
- Unemployment and high poverty rate; and
- Growing number of indigent households;
- High HIV/ AIDS incidence; and
- The need for woman empowerment programs.

The municipality then prioritized the above mentioned challenges taking into consideration the following factors:

- Municipal budget and affordability of services;
- Municipal competency or assigned powers and functions - if the function is a provincial competency such as housing, it cannot be prioritized for implementation, but for planning and negotiations with relevant departments;
- Institutional capacity: skill and knowledge;
- issue affects the majority of communities and stakeholders in the community

During the prioritization process, the following were prioritized in terms of the IDP and the budget;

Figure 1: Prioritization of municipal services

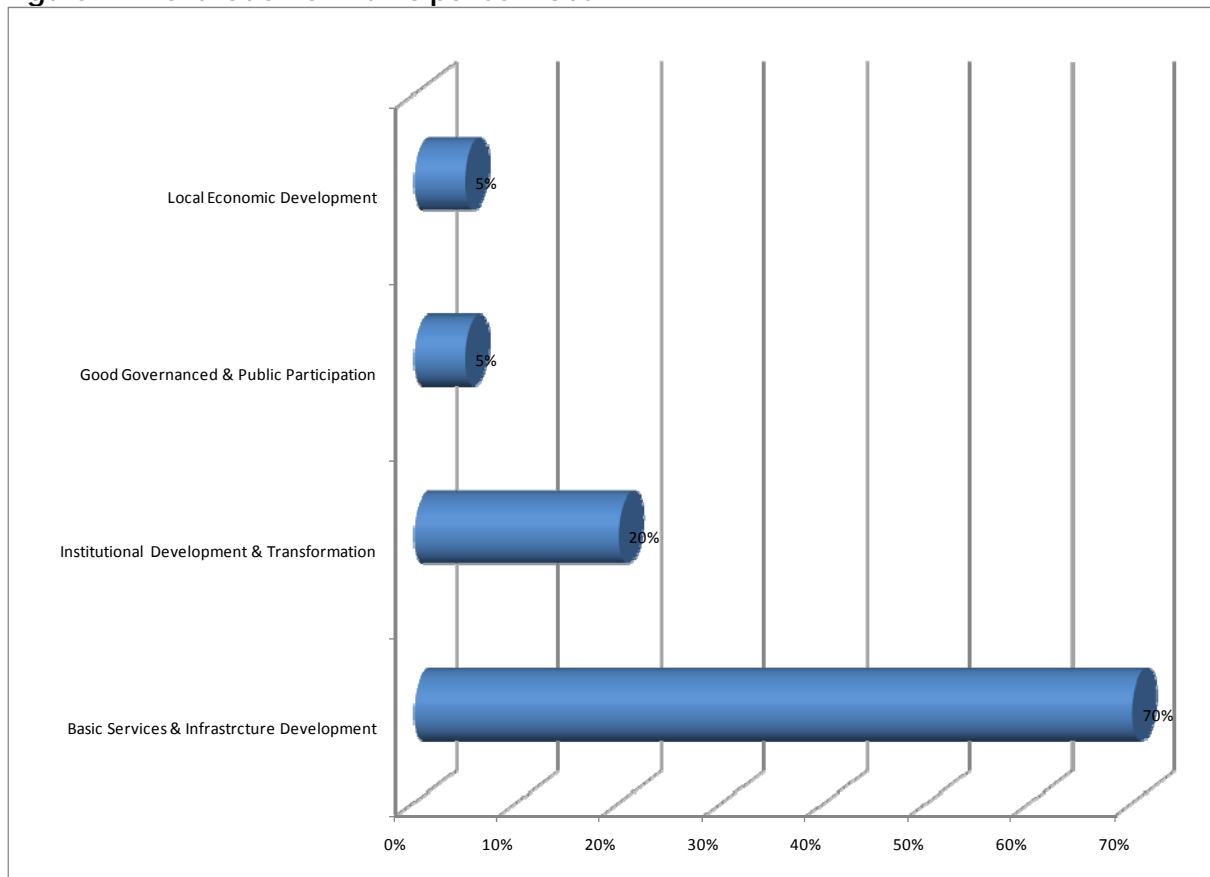


Figure 1 above shows that given the infrastructure backlogs in the municipal area, particularly in informal settlements, Vaalwater and Alma areas, basic services and infrastructure development received 70 percent of the budget, followed by institutional development and transformation at 20 percent. Good governance and public participation and local economic development received 5 percent of the budget each. Over and above the provision of basic municipal services to previously poorly serviced areas, the spin-offs from a larger allocation to basic services and infrastructure development include:

- Job creation and poverty alleviation through labour based infrastructure projects, including the Expanded Public Works Programme (EPWP);
- Infrastructure investment to support the growing economic activity; and
- A steady reduction in service delivery backlogs.

Despite these efforts and achievements so far, challenges in service delivery exist particularly in water, electricity and roads and storm water in pockets of the municipality.

1.4 DEMOGRAPHIC OVERVIEW

PURPOSE AND INTRODUCTION

The municipality is predominantly rural in nature, with vast areas of land either under cultivation or being utilised for game farming purposes.

Modimolle/Phagameng is the nodal growth point of the municipality, while Vaalwater (Mabatlane) and Alma (Mabaleng) can be described as service points.

The area is characterised by:

- prominent rivers, such as the Mokolo River and Nylsvlei, which dominate the landscape, and
-
- Settlement patterns characterised by townships, farms and informal settlements.

1.4.1 Demographics

The purpose of the section is to provide an overview of the socio-economic characteristics of the municipality. Such an overview will assist in identifying the localised issues with reference to demographic and labour force dimensions.

SOCIO-ECONOMIC PROFILE

Demography

Municipal population according to the official census of 2001 was 72810 comprising 17544 households. At that stage the average household size was 15 persons. Population decreased to 52602 persons and 15826 household according to the 2007 community survey conducted by statistics South Africa. This means that the average household size had fallen to 3.3 people.

Estimates of population at the settlement level that are compiled by the Department of Water Affairs (DWA) for water service planning purpose suggest a population figure of 76643 persons for Modimolle LM in 2011, comprising 19132 households. The average size is 4 persons. This is probably the more accurate reflection of the local demographic situation. It could be assumed that the average population growth rate in Modimolle Lm will be similar to the provincial population growth rate of 0.94% per year. The higher population growth rate of the past decade was caused by people migrating from rural areas to Modimolle town, but this migration process has now stabilized.

There are 8 settlements in Modimolle Local Municipality. Modimolle town and Phagameng with a combined population of approximately 4400 people from the primary municipal node. Mabatlane and Mabaleng are small towns.

(Please note that the information of the population 76643 is indicated for planning purposes).

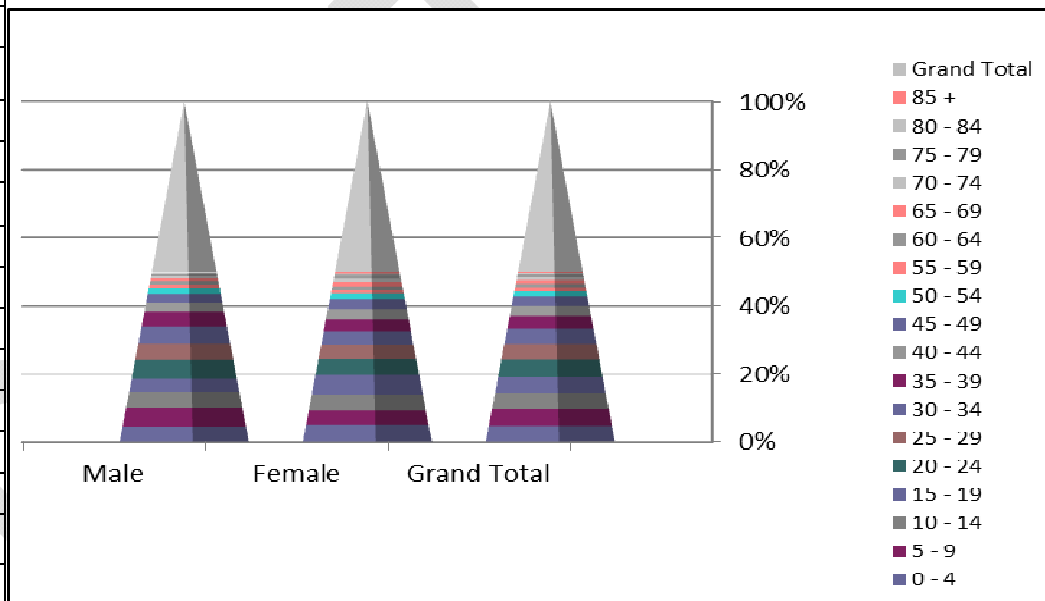
Unemployed in Modimolle in Modimolle Local Municipality is lower than the provincial average, which could be due to the high incidence of retired people in this municipality.

The labour force participation rate is also considerably higher than the provincial average. This could be the result of younger adults moving to Gauteng in search of work opportunities

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**Age by
Gender
for Person weighted, LIM365: Modimolle Local Municipality**

	Male	Female	Grand Total
0 - 4	2536	2659	5195
5 - 9	2886	2135	5021
10 - 14	2467	2500	4967
15 - 19	2016	2881	4897
20 - 24	3033	2483	5516
25 - 29	2604	2233	4837
30 - 34	2605	1952	4557
35 - 39	2405	1737	4142
40 - 44	1348	1635	2983
45 - 49	1303	1516	2819
50 - 54	820	824	1644
55 - 59	755	511	1266
60 - 64	544	599	1143
65 - 69	457	706	1163
70 - 74	361	527	888
75 - 79	211	547	758
80 - 84	262	111	373
85 +	119	310	429
Grand Total	26732	25866	52598



Chapter 2

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Governance

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2.1. Political Governance

2.1.1. Introduction

The municipality has established section 80 committees in terms of the Local Government: Municipal Structures Act, to perform its functions effectively and efficiently. The section 79 committees established are Rules committee, Oversight committee and Audit committee; and they are all functional. Section 80 committees are established for the following departments, Budget and Treasury, Technical services, Corporate Services and Social and Community Services portfolio committees.

Below are one photos, names and responsibilities of the political leadership of the institution:



Functions of the Mayor

- Preside over meetings of the Executive Committee
- Performs the duties and functions prescribed by legislation, including any ceremonial functions and exercises the powers delegated to the Mayor by the Council or Executive Committee as reflected in the delegation policy of the MLM
- Preside at public meetings and hearings called by the executive committee
- Receive petitions on behalf of the municipality when requested to do so by petitioners
- Ensure that the executive committee reports to council are adequate for facilitating the council's oversight functions in relations to committee and mayors

Functions of the Speaker

- Presides over meetings of Council;(chair of council meetings)
- Performs the duties and exercise the powers delegated to the Speaker in terms of Section 59 of the MSA; Local government municipal systems Act 32 of 2000
- Ensures that council meets at least quarterly;
- Maintain order during meetings;
- Ensures compliance in the Council and Council committees with Code of Conduct set out in schedule 1 of MSA;
- Ensures that Council meetings are conducted in accordance with Rules and Orders of the Council; and
- Provide support to councilors
- Any function as per delegation register of MLM
- Establishment and functioning of ward committees

Functions of the Chief Whip

- Informs Councilors of Council and Executive Committees meetings called by the Speaker and Mayor respectively;

- Advises the Speaker and Mayor on the agenda of Council meetings;
- Advises the Speaker and the Mayor of urgent motions in writing prior to the commencement of the meeting;
- Ensures that political parties hold party caucuses prior to Council meetings to ensure smooth running of Council meetings;
- Assists the Speaker with counting of votes
- Political management of council meetings and committee meetings
- Ensures that councillors motions are prepared and timeously tabled in turn of the procedural rules of council.

2.1.2. Executive Committee



Mayor

Councillor : K.E Lekalakala



Councillor : S.A Sebolai



Councillor : W. Fourie

(e) Councilors

The Council comprises of 16 Councilors, 8 of whom are ward Councilors and the remaining 8 are PR Councilors.

2.1.3. Political Decision

Political decision is the competency of the Municipal Council. Council ordinarily meets four times a year to take political decisions on matters submitted before them by Executive committee. Executive committee derives its agenda from matters that served in different section 80 committees (Portfolio committees). In case of Urgent matters, Special Council and executive meetings are convened for Council to take political decisions. In the year under review, nine Council meetings were recorded of which four (4) were ordinary and five (5) were special. In all those meetings 507 resolutions were taken and implemented.

The new Executive Committee was constituted as follows:

- Cllr K E Lekalakala - Mayor;
- Cllr W J Fourie - Member of Executive Committee; and
- Cllr S A Sebolai - Member of Executive Committee.

The Modimolle Local Municipality have established its committees in terms of Section 80 of the Local Government: Municipal Structure Act 117 of 1998. The Section 80 Committees render assistance to the Mayor as and when required. The numbers of committees are as follows:

- Technical and Budget and Treasury Committee - 10
- Social and Community Services Committee - 5
- Corporate Service Committee - 5

The Portfolio Committees are structured as follows:

Portfolio Committee: Corporate Services

Cllr W J Fourie	:	Chairperson: Legal & Administration
Cllr M J Mashao	:	Chairperson: Human Resources
Cllr S A Sebolai	:	Chairperson: IDP, LED & Land

Portfolio Budget, Treasury & Technical Services

Cllr K E Lekalakala	:	Chairperson:
Cllr W L Botes (Jnr)	:	Budget & Treasury
Cllr L van Aswegen	:	Rates, Taxes, Invoices & Expenditure
Cllr M S Olifant	:	Housing and Infrastructure
Cllr L Trichardt	:	Roads & Town Planning

Portfolio Committee: Social Services

Cllr S A Sebolai	:	Chairperson
Cllr M P Kekana	:	Health, Social Development and Environment
Cllr R L Motshegoa	:	Youth, Sport, Arts and Culture
Cllr R R Molekoa	:	Security and Community Policing Forum
Cllr S R Monanyane	:	Gender & Disabled
Cllr S D Sebelebele	:	Transport
Cllr S F Kobe	:	Education

The Rules Committee is constituted in terms of Section 79 of the Local Government Municipal Structures Act of 1998 as follows:

Cllr M P Kekana	:	Chairperson
Cllr M S Motshegoa	:	Member
Cllr M S Moima	:	Member

Section 8(2) of the Local Municipal: Structures Act 117 of 1998 provides that a municipal council must meet at least quarterly.

The following Council meetings scheduled in terms of the above legislation took place as follows:

28 September 2010	-	14 Councilors attended;
30 November 2010	-	15 Councilors attended;
23 February 2010	-	16 Councilors attended; and

NB : DUE TO ELECTIONS THE FOURTH QUARTER MEETING WAS NOT HELD.

Council has elected to hold Executive Committee meetings monthly. A schedule was agreed to in terms of Council resolution. This includes Special Executive Committee meetings to approve the draft budget and final budget.

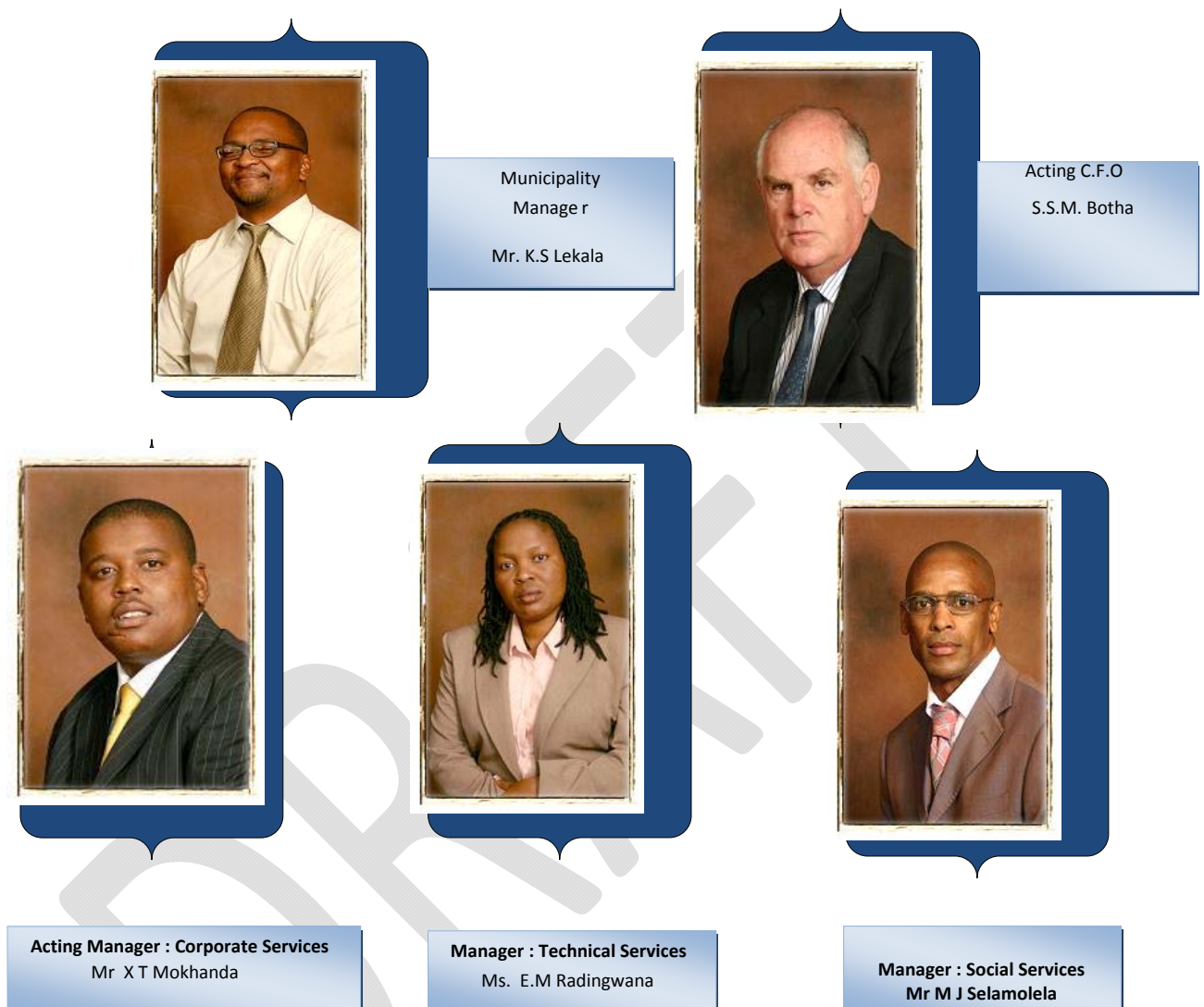
A total of 8 Executive Committee meetings were held with the exclusion of the December month.

The Section 80 Council Committees met as follows:

• Social and community Services	-	2 meetings
• Corporate Services	-	4 meetings
• Budget and Treasury and Technical	-	4 meetings

The Administrative Division wishes to improve the administration and the secretariat services to Council and its committees. The division wishes to have and effective and efficient administrative support to all Council.

2.2 Senior Management



Functions of Municipal Manager

- Advises the structures and functionaries of the Municipality;
- Carries out the decision of the structures and functionaries of the Municipality;
- Administers and implements the Municipality's by-laws, resolutions and policies;
- Ensures that the municipality complies with applicable municipal finance management legislation;
- Implements national and provincial legislation applicable to the Municipality

Functions of CFO

- Manage Revenue Collections;
- Manage Expenditure Controls;
- Manage Budget Services;
- Manage Supply Chain;
- Asset Management; and

Functions of Corporate Services

- Render HR management;
- Provide legal advisory services;
- Manage and maintain municipal administration
- Manage public participation
- Provide support to political office bearers
- Provide communication to the municipality
- Provide secretariat service to council and its committees

Functions of Technical Services

- Ensure adherence to Civil engineering standard
- Render waste management services;
- Provide project management for implementation of infrastructure development.
- Water and waste management
- Electrotechnical management
- Town planning

Functions of IDP LED and LED

- Render strategic support services;
- Manage annual IDP reviews;
- Institutionalize, manage, and monitor PMS;
- Manage, maintain and co-ordinate IGR;
- Compile, manage and monitor SDBIP; and
- Co-ordinates all reports relating to the above functions
- Render LED services;
- Render land use and town planning services and GIS;

Functions Social and Community services

- Renders environmental health services to the community;
- Renders social services including Library, sport, art & recreation , Disaster management, parks sand cemeteries;
- Traffic protection services

2.3. Intergovernmental Relations

IDP forum has improved; Presidential hotline and Premiers hotline issues and customer queries rose from Imbizo's/ Exco – outreach are attended to and addressed.

The municipality participated in a number of provincial forums which included the IDP and PMS Provincial forums, Premier's Mayors forum. The IDP and PMS forum are instrumental in the cascading and aligning the provincial programmes into the municipalities. Premiers, Mayors are a strategic forum which gives strategic direction of the municipalities in the Province.

2.4. Public meetings

Public participation unit is custodian of public meetings. The municipality has numerous types of public meetings, which includes Exco- outreach/ Imbizo's, IDP/PMS forum, IDP consultations meetings, State of local municipal address,

2.4.2 IDP/PMS forums

Two IDP/PMS forums were planned for the 2010/2011, the first one was held on the 10th October 2010 where the municipality reported on the IDP status quo document and the 2009/2010 4th quarter performance. Sector departments and business communities presented their 2010/11 financial plans and programmes. The second IDP/PMS IDP Rep Forum was held in 11 February 2011 for further stakeholder consultation on the IDP.

2.4.3 IDP/PMS public consultation

Numerous public consultation road shows led by the Mayor and Executive Committee members were held in the financial year under review. Different stakeholders including rate payers, church leaders, farmers, to name but few were consulted on the draft IDP and the performance report of the 2009/10 financial year.

The road shows were followed by ward based consultations which were done simultaneously in all wards in March 2011. Wards which are closer to each other were clustered into groups comprising of not more than three wards.

The Community made inputs which were considered when finalizing the IDP document.

2.4.4. State of the Local Municipality Address

State of Local Municipal address is meant for the Mayor to present programmes and projects for the coming financial year as per the approved IDP/ Budget and also report progress of projects promised in the previous financial year.

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Appendices E and F give detail reports of issues discussed by both monthly and quarterly meetings in respective wards.

Public meetings					
Nature and purpose of the meetings	Date of events	Number participating municipal councillors	Number of participating municipal Administrators	Number of community members attending	Date and manner of community feedback
1. IDP/PMS forum	21 April 2010	30	10	32	Feedbacks are given during the next forum, thorough letters and during IDP consultations
2. IDP/PMS public consultation	19/03/2011	53	41	486	Feedbacks are given to Ward councillors to report to their constituency
3. SOMA(state of the municipality address	31 /03 2011	16	6	28	State of the municipality address/budget speech

2.5 WARD COMMITTEE SUPPORT

The Modimolle Local Municipality has established eight ward committees within its municipal jurisdiction in terms of 73 of the Local Government: Municipal Structures Act of 1998 (Act 117 of 1998) and Council's By-Laws on the Establishment of Ward Committees.

Council has reviewed the Policy on Provision of Administrative Support to Ward Committees under the year in the question.

In terms of the policy ward committees may be assisted administratively with the following:

- Facilitation of ward committees elections
- Provision of venues for meetings
- Procurement of logistical resources, including stationery, furniture and computers
- Conveying of Ward Committee Members to mass meetings
- Capacity buildings
- Catering when attending meetings

An amount of R500 000 was budgeted for in the 2010/2011 financial year for the payment out of pocket allowances to Ward Committees.

Each Ward Committee member receive an allowance of R1 000.00 which is structured as follows:

Transport	:	R300.00
Telephone	:	R500.00
Refreshments	:	R200.00

This was regulated in the Policy on Out of Pocket Allowances for Ward Committees which was adopted in December 2010.

An amount of R150 000.00 was allocated from the Department of Local Government to assist ward committees through the MSIG Grant.

In the 2010/2011 financial year the funds were used as follows:

- | | | |
|---|---|------------|
| • Purchase of Stationery and Logistical materials | - | R50 000.00 |
| • Training of Ward Committees | - | R80 000.00 |

Challenges

- Non-attendance of meetings

- Insufficient funds to train Ward Committees
- Non-functioning of some ward committees

Successes

- Developed Policy on Out of Pocket Allowances
- Purchasing of Stationery for Ward Committees
- Training of Ward Committee
- Purchase of bakkie
- Installation of security doors (Records/ registry)

WARD COMMITTEES

Ward committees are established to enhance participatory democracy in Local Government. They advise and recommend to the ward councillors on any matter concerning the wards; spread information in the wards; receive queries and complaints from the committees; interact with other forums in the wards and mobilize communities behind government programmes.

Ward 1

This ward includes Leseding Extension 1, 2 and 3. Settlements patterns are township and informal settlements. Dwelling houses in extension 1 and 2 are mostly made of brick and cement and extension 3 are mainly tin houses and the settlement has encroached into the land fill site. This is currently challenging the legal status of the landfill site and it is a health threat to the community. Most streets are not surfaced. Shortage of water is a primary challenge and the municipality is still faced with the challenge of acquiring land that has been identified to have sufficient water to supply the community due to exorbitant prices.

Ward 2

This ward is mainly characterized by vast land of farms with both agricultural and game farming activities. The key challenge in the ward is gravel roads that make it difficult to introduce an integrated public transport service in the area. Most people depend on private transport and lifts. The identity of this ward is also marked by informal settlements and mainly RDP houses. This area is being earmarked by the municipality to be developed as an agri-village due to its soil and rain potential. The source of water is boreholes; there is currently no sewer plant providing services to the ward. The main backlogs are sanitation and roads. All households have access to electricity.

Ward 3

Ward three is comprised mainly of farm areas, including WitKlip (24 rivers), Boschdraai (Tretson/Melkrevier farms), Doorfontein (Driefontein farms) and Lombad (Nylstene factory area). The roads are not surfaced and are accessing water from bore holes. Most agricultural activities (ALRAD) projects are concentrated in the area. The area has been identified as an agricultural hub in the Spatial Development Framework (SDF) of Modimolle. This implies that no township establishment will be approved in the area or rezoning from current zone to residential. The farms will not be converted to game farming or any other type of zone.

Ward 4

Ward 4 includes Modimolle Town (Weesgerus, Kokanje, Bosveldsig, and Korokreek) and Phahameng ext 10. The area is highly urbanised with formal townships and few surrounding farms. Extension 10 is still under construction and still has to be connected to our sewer plant, which is currently full to capacity.

Ward 5

Ward 5 includes Freedom Park (Extension 7), part of Phomolong (Extension 8) and Park Extension 9. The area is mostly characterized by informal settlements and RDP houses. All households are currently receiving municipal services. Households access water from communal taps and have prepaid electric system. The roads are not surfaced. The ward is characterized by an air strip which is mainly utilized for sky diving. The informal settlement is within 2 meters of the air strip which compromise the legal status of the strip. The strip is threatened by life stock, community members who break the fence and potential fires from grass that has been preserved from grazing on the ERF adjacent the strip.

Ward 6

Ward 6 includes Mandela Village (Extensions 5 and 6 and part of Phomolong (Phagameng)). Part of Phomolong is characterized by township and informal settlements. The dwelling houses in the latter mentioned extensions are built of brick and cement and Freedom Park is dominated by tin houses.

Ward 7

Ward 7 includes Phagameng Township (Old section) and Middlefontein farms. This ward is characterized by a township settlement. Dwelling structures are built of bricks and cement and have access to all municipal services. Households have piped water connected to households and are mostly registered with the municipality. Most streets are surfaced and have street lights.

Ward 8

Ward 8 is mainly characterized by township settlement and the Central Business District (CBD). It includes areas such as Hospital View (Extension 15) to the eastern side of R101, up to Cyferfontein and Holme Park farms. All households are registered and receiving municipal services.

Most roads are surfaced and street lights are functional. The CBD is mainly characterized by retail stores and an industrial site. Dwelling structures are built of brick and cement. Dwellings are mostly stand-alone houses and flats. The ward has high density households with big stands that provide an opportunity for subdivisions.

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Key issues discussed in these meetings were:

- Lack of electricity;
- Impassability and construction of access roads;
- Insufficient Water supply and illegal connection in the rural areas;
- High rate of unemployment among the youth; and
- Sanitation

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2.6. Risk management

ACTIVITIES OF INTERNAL AUDIT UNIT FOR 2010/ 11 FINANCIAL YEAR.

- 2.6.1 The IA is established in terms of section 165 of the Municipal Finance Management Act 53 of 2003. The Unit is regulated and performs its functions according to the said MFMA provisions, International Standards for the Professional Practice of the Internal Auditing as well as the Audit Methodology which is approved by Council. The IA methodology includes the internal audit charter, Audit Committee Charter, audit policy, working papers as well as other information that is relevant to the Unit.
- 2.6.2 During the year under review, the IA was independent and objective in performing its duties.
- 2.6.3 Risk assessment was conducted by the IA, and the Risk Management Strategy was approved by Council. The three year strategic internal audit plan was based on the approved risk assessment and was approved by AC.
- 2.6.4 Seven audits were performed during the year under review against twelve planned. The reasons for under performance are mainly attributed to more time spent on coordination of audit recovery plan, risk management strategy as well as ad hoc audits which were not on the annual risk based audit plan.

2.7. Anti – corruption and fraud

The municipality has developed an anti – corruption and fraud policy.

2.8. Supply Chain Management

The Supply Chain Management Policy was reviewed.

All the bidders are required to complete the MBD 4 form (aimed at getting a declaration from the bidder that s/he is not in the service of the state), MBD 8 (aimed at getting historical working relations

between the client and the contractor/service provider with regard to the execution of past contracts) and MBD 9 (aimed at restricting collusive bidding during tendering).

The supply chain management unit is also conducting a clearance of prospective bidders with National Treasury (restrictions@treasury.gov.za) prior appointment of service providers / contractors to determine if they are not blacklisted / restricted from doing business with the public sector and municipalities in particular). This is in compliance to the MFMA Circular No. 46

Supply Chain Management practitioners, members of the bid committees and every municipal official are required to declare their financial interests on annual basis.

2.9. By-laws

Insufficient resources both human and material hamper the implementation of by- laws in the municipality. The municipality is planning to improve in this area

2.10 Communications

The Communication Division plays a key role in improving relationships between the municipality and its stakeholders. The purpose of the division is to provide the municipality with a comprehensive communication and marketing strategy. To facilitate the participation of all officials and members of the community in good governance and economic development, through sound communication interventions. Effective communication plays a key role in the renewed drive around Batho Pele.

In order to achieve the above, the aim of the division was, and still is, to complement municipal communication with a campaign of internal and external communication. To inform and mobilise municipal employees to fully play their part as champions of good governance and service delivery.

Several additions to the main switchboard were done to improve the level of service and customer services. This system was upgraded to the budget control system.

In terms of Cell phone usage, there are currently 74 lines for cell phone users and 24 premy cells (routers). Control measures are in place to reclaim private usage.

Achievements

The following were achieved by the Communication Division during 2010/2011 financial year:

- Communication Strategy was developed and approved by Council;
- Four editions of newsletter called "REBOTSE DITABA" was issued and distributed.
- Calendars and Diaries were distributed to the community and officials
- Purchase of camera.
- Purchase of loudhailing system.

Notices

- Notices were issued to inform the community about issues affecting service delivery.

Mobilisation

Mobilisation was done through loud hauling and newspaper notices.

2.11 PUBLIC PARTICIPATIONS/ MUNICIPAL PROGRAMMES

ACTIVITY	DATE	OBJECTIVE	OUTCOME	RESPONSIBILITY	REMARKS
JANUARY 2011					
Back to School Campaign	10/01/11	To motivate poor and underperforming school and congratulate the best performing schools within the municipality	To have and increase number of performing schools	Office of the mayor and department of education	DONE
LGCF Meeting	12/01/11	To discuss communication plan and development	To monitor and report on communication plans	ALL LGCF Members	DONE
	19/01/11	Fight against drug substance abuse (glue)	Educate the children learners about the danger of drugs	SAPS Office of the mayor Health and Social Services and All sector department	DONE
FEBRUARY 2011					
Public Participation	To be confirmed	To broadly consult communities on service delivery	Communities will be informed of the programmes and plans of the municipality	Office of the mayor/ All sector departments	NOT DONE
SONA (BIG SCREEN)	ALMA	To inform community about the programme of government	Communities will be informed of the programmes and plans of the government	GCIS and Office of the Mayor	DONE
SOPA(BIG SCREEN)	MABATLANE	To inform the communities about the programme of government in the province	Communities will be informed about the plans and the programme of the government	Limpopo legislature and Office of the Mayor	DONE

MARCH 2011	LGCF	10/03/11	To discuss communication plan and development	To monitor and report on communication plans	All LGCF members	Communication Office	DONE
Human Rights Day	21-03-2011		To educate and inform residents of opportunities available as well as their constitutional rights and obligations		To have more informed community	Premier's office and MLM	DONE

MAY 2011					
LOCAL GOVERNMENT ELECTIONS				Independent Electoral Commission	DONE
SOMA		State of municipal addresss		MLM	DONE
Workers day	01-05-2011	Domestic workers and farm workers celebration		Labour/ COSATU	DONE
JUNE 2011					
Youth month	16/06/2011	Youth month celebration	Youth to commemoration of 16-June-1979	Premier's Office and NYDA	DONE
JULY 2010					
Elderly	14-07-2010 Kokanje and old age home	Government cares about elderly and will continue to support them	Informed and happy elderly	Mayor's Office and Premier's Office	DONE
AUGUST 2010					
Women's month	09/08/2010	Celebrate with the women	Empowering women in business and in farming	Mayor's Office	DONE
SEPTEMBER 2010					
Heritage and Tourism	24-09-2010	Arbor day and climate change awareness	Environmental health awareness	Mayor's office	DONE
OCTOBER 2010					
IDP Public Participation	08-10-2010 to 15-10-2010	Delivery of track record and lessening to community concerns	Building confidence and trust and showing that the council cares	MLM	DONE

DRAFT

NOVEMBER 2010					
16 Days of Activism	26 to 28-11-2010	Fun and Run for 16 days of Activism	Celebrate 16 days of Activism with Motheo wa Modimolle for fun and run	MLM	DONE
DECEMBER 2010					
AIDS DAY	01/12/10	To educate the community about HIV/AIDS	To reduce cases of HIV/AIDS infection	Health and Social Development All sector department	DONE
MAYORAL CUP	16/12/10	Participate in healthy living style	Talent search and sports development	Mayor's office	DONE
Children's Day	24/12/2010 Ephraim Mogale Stadium	safety for the children and Christmas message	Children speaks their problem to the mayor and have launch	Mayor's Office	DONE
Women in ministry	09/12/2010 Peter Nchabeleng Hall	All women from different churches	All churches of Modimolle to preach the word of God together with the Mayor	Mayor's Office	DONE
Hospital Visits	24/12/2010 F H Odendaal and MDR TB Unit	Visit all ward patients at hospital	Giving them present for Christmas and also praying for them	Mayor's Office	DONE
Food parcel distribution	24/12/2010 Mabatlane, Alma and Phagameng	Orphans and Vulnerable children	Children to get Christmas hampers from office of the mayor	Mayor's Office	DONE
Disability Day Celebration	06/12/2010 Sanrock	Nothing without us about us	Empowering the disable people	Mayor's Office	DONE
Elderly People	14/12/2010 Correctional Service LAPA				DONE

DRAFT

2.12 Website

The loading of website is the competency of municipal communication unit. The website is updated on a monthly basis. This is done to ensure that the Website is relevant and up to date.

Municipal Website		
Documents published in the Municipal website	Yes/No	Publishing date
Current Annual and Adjustments Budget and Budget related documents	Yes	
All budget related policies	Yes	
The previous annual report(2009/2010)	Yes	
Valuation roll	Yes	
By Laws 2007 – 2011	Yes	
SDBIP	Yes	
ACTS	No	
IDP	Yes	
Strategies	No	
Tariffs	Yes	
PMS	No	

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

3. INTRODUCTION

Because of the size and capacity of the Modimolle Local Municipality, this chapter would not report on components as expected by guidelines given to municipalities on chapter 03. The chapter will selectively report on functions the municipality performs from the guidelines, namely, Electricity, refuse removal, roads, library and community facilities, bio-diversity and landscape, and sport and recreations

3.1 Water Services 2010/11

Modimolle Municipality operates a water treatment plant abstracting water from the Donkerpoort dam. This scheme supplies water to Modimolle town and Phagameng. Donkerpoort is also undergoing upgrade and refurbishment which will improve the output of water. We also receive water from Magalies Water Board to augment the supply in Modimolle.

Mabatlane is supplied through the use of 8 boreholes which are running 24 hours and Mabaleng is supplied through the use of 4 boreholes but only 1 borehole is running at a time, the other 3 boreholes need to be tested and equipped.

With regards to Waste Water Treatment, we have a 3.5 ML/d treatment works in Modimolle which phase 1 of the upgrade has just been completed and phase 2 designs to increase the capacity of the treatment works to 6.5 ML/d have been completed.

Oxidation ponds are being used as a form of waste water treatment in Vaalwater/Mabatlane and pit latrines for Alma/Mabaleng. The municipality is looking at installing alternative technology to assist the oxidation ponds and eradicate the pit latrines in Alma/Mabaleng.

We have a dedicated team of artisans, general workers, process controllers and assistants process controllers who make sure that we continuously serve our community with clean water at all times, treat the waste water from both the ponds and the plant to the required standards.

Achievements

- The Blue drop score improved from 39% to 95.01% which led to the municipality achieving the Blue Drop award for the Modimolle supply system during the year under review. The team is working very hard to improve the score for Alma/Mabaleng and Vaalwater/Mabatlane 34% respectively.
- The Green drop results improved from 9% to 43.30% for Modimolle system and 20.3% for both Alma/Mabaleng and Vaalwater/Mabatlane. The team is also working hard to improve the Green Drop score.

- Continuous maintenance of the water and waste water infrastructure within the available budget.
- Urgent response to call-outs within the specified turn-around time
- Extension and linkage of the water pipeline from extension 7 to Phagameng Police station to ensure continuous supply of water.
- Managed to stabilize the water situation in Mabatlane/Vaalwater.

Challenges

- Frequent pipes bursts due to ageing infrastructure which leads to overtimes and water quality complaints
- Shortage of skilled personnel
- Shortage of storage facilities for water both at Modimolle and Mabatlane/Vaalwater
- No waste water treatment works in Mabaleng posing a health risk to the contamination of the ground water.
- Contamination and Pollution of Mokolo River due to the Oxidation ponds overflowing with a slight rain.
- Non-compliance to DWA regulations due to the discharge at both the waste water plant and the Oxidation ponds
- More boreholes required for Mabatlane/Vaalwater
- Development of water services master plan due to lack of funds.
- Dilapidated vehicles
- Limited Budget

WATER QUALITY IN MODIMOLLE 2010/11

Water Quality Report															
Reporting period: 2010/11															
Parameter	Units	Specifications	Compliance	Donker-Poort	Golf Res	Magalies Res	Airfield Res	Ext 11	Ext 5	Ext 1	Ext 6	CBD	Municipal Workshop	Mabaleng	Mabatlane
<u>Chemical /Physical</u>															
pH at 25°	pH Units	>5.0 to < 9.5	100%	7.12	7.65	8.48	8.01	N/A	N/A	N/A	N/A	N/A	N/A	7.65	8.85
EC	mS/m	>0.0 to < 149.0	100%	5.67	5.48	37.35	15.78	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Color	mg/l Pt	>0.0 to < 19.9	75.5%	14.7	18.6	9.00	18.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TDS	mg/l	>0.0 to < 999.0	100%	44.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	125	101
Taste	mg/l	>0.0 to < 4.0	100%	3.00	3.00	3.00	3.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Odour	%	>0.0 to < 4.0	100%	3.00	3.00	3.00	3.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Turbidity	NTU	>0.0 to < 0.999	20.8%	2.77*	2.68	1.96	1.99	1.82	30.2	0.48	2.54	1.7	1.84	0.375	0.5

<u>Microbiological</u>															
HPC	CFU/ 100ml	>0.0 to <5000	93.5%	1821	62.8	16 813	21.00	N/A	N/A	N/A	N/A	N/A	N/A	15 725	23 220
Total coli	CFU/ 100ml	>0.0 to <10.0	89.05%	82.2*	13.8	8.63	1.70	0.4	2.00	0.40	0.20	0.20	0.00	34.5	0.0
Fauca coli	CFU/ 100ml	>0.0 to <1.0	60.0%	0.60*	1.4	0.00	0.0	0.4	1.40	0.20	0.00	0.00	0.00	19	0.0
E-Coli	CFU/ 100ml	>0.0 to <0.0	30.0%	4.4*	2.40	0.58	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>Micro Elements</u>															
Aluminum	mg/L	>0.0 to < 299.0	100%	0.3502	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.110	0.193
Iron	mg/L	>0.0 to < 199.9	100%	0.206	0.02	0.02	0.03	N/A	N/A	N/A	N/A	N/A	N/A	0.025	0.054
Manganese	mg/L	>0.0 to < 99.0	100%	0.199	0.01	0.019	0.018	N/A	N/A	N/A	N/A	N/A	N/A	0.025	0.044
Free chlorine	mg/l	>0.0 to < 1.0	66.8%	<0.1	2.2	0.2	0.18	<0.1	<0.1	0.12	0.1	0.12	0.12	<0.1	<0.1

3.2. Electro-technical Services

Modimolle Local Municipality is a license holder and is responsible for providing the whole municipal area electricity in its own license area. The electrification of house-hold is done with the assistance of DoE. The backlog in our municipality is 6%.

Electrification of 421 stands was achieved for the financial year under review. DoE promised to give the municipality a grant to electrify 1167 stands in Phagameng ext. 10 for the financial year 2012-2013.

Upgrade of the main sub-station is due to start with physical work on site by April/May 2012; however a lot of groundwork has been covered in terms of planning, design and procurement. Coupled with the sub-station upgrade is the upgrade of our internal network.

DBSA has approved R25 Million for the upgrade of our internal network. This will come in handy to upgrade our ageing internal electrical infrastructure and also upgrade for future developments. Energy efficiency is at the heart of our operations and as such we have drafted an Energy Efficiency Strategy focused on reducing carbon emissions and efficient utilization of our ever depleting natural resources.

3.2.1. Electricity Services Employees

Modimolle Local Municipality has an established electrical department, which deals with electricity services like:

- Maintenance of electrical infrastructure
- Construction of new infrastructure
- Upgrades of existing infrastructure.

The total staff complement is 27 which consist of:

- 7 x Artisans
- 3 x Artisan Assistants
- 15 x General workers
- 2 x Clerk

There is a need for a technician in the electrical section, who will be responsible for the switching operations of our MV network, amongst other things. This is a key post which needs to be filled for the smooth operations of this department.

3.2.2. Electricity services capital expenditure

Capital Expenditure 2010/2011: Electricity services					
Capital Projects	Budget	Adjusted Budget	Actual Expenditure	Variance from Original budget	Total project value
Total all	R1 800 000	R1 800 000	R 900 000	50%	R9000 000
1. Electrification of 300 Stands at Extension 9.	R1 500 000	R1 500 000	R 560 000	37.33%	R560 000
2. Electrification of 121 Stands In Mabatlane Extension 4	R 300 000	R 300 000	R 340 000	113.33%	R340 000

3.3. PUBLIC WORKS

The following achievements were made with regard to storm water drainage

- Storm water drainage next to Phagameng office was cleaned and reconstructed where there was damages

- Storm water drainage at Mabatlane ext. 2 were constructed using Gabions to prevent water flowing to the houses
- The catch pits at Modimolle town were cleaned and 600 diameter pipes were installed at ext. 10(8 barrels)
- Damaged plavei (concrete slabs)were replaced in town as well slabs on top of catch pits
- Sidewalks were maintained and sprayed to prevent grass growing between paving bricks
- Paving of 270m was done at Lekker breek School a mini=traffic circle was constructed
- Paving of 800m was done at Phomolong ext. 6 Funded by Waterberg District Municipality and the road still need to continue

3.3.1. Tar patch

- The potholes which were identified on our roads were all attended to and some of the streets that were done include Nelson Mandela, Thabo Mbeki, Allen, Joe Slovo and Letshogotla street and a junction at Mabatlane town
- Speed rubbles were constructed at the stop sign near Ext 10

3.3.2. Municipal Building

With regard to building the following projects were completed

- PMU office and a guard room at commando were completed and they are in use.
- Tiles at the municipal manager's office and two toilets were erected
- 3 guard room houses were erected at Mabatlane(two)and Mabaleng (one)
- Renovations of two RDP houses at Mabatlane as well as two in Modimolle after they were burnt down by fire.
- 3 RDP houses were renovated During Mandela day and Mabatlane old community hall as well

3.3.3. Roads sign and markings

- Modimolle town were marked although not all streets was covered. Speed humps were also marked for proper visibility

- Mabatlane roads were also marked and speed humps were renewed for proper visibility
- Replacement of damaged and faded roads signs were done and the project is still continuing

3.3.4. Gravelling and Blading

- Streets in Mabatlane town and ext. 1 and 2 were regravelled after heavy rains during the financial year.
- Phomolong extension 8 was regravelled and part of ext. 7 was patched with gravel after heavy rains.
- Blading of streets in the whole of Modimolle were done on a daily basis and streets maintained according to their maintenance frequency

3.3.5. Landfill sites

- Modimolle landfill site were maintained during the financial year , covering and compression of waste was done on a daily basis during maintenance
- Drainage at the landfill site was maintained
- Mabatlane landfill site was maintained during the year although there is a challenge of cover material. Building rubbles and agricultural material were used as cover material at the land fill site

3.3.6. Mechanical Workshop

- Vehicles, equipment's and Machines were maintained and fixed as per the mechanical fault throughout the year.
- Registration and roadworthiness of Vehicles was maintained
- Break downs were attended to on time and drivers were assisted with The Municipality license /authority to drive
- Some renovations were done at the car pots at the workshop like replacing the net with new roofing.

3.4. Town Planning

The municipal planning is the competency of the "Town planning division" which comprises of "housing", "building control" "town planning" and "administrations" The municipality has adopted its SDF in the year 2010 and busy with the review of LUM's. The CBD Development Plan will be finalized and adopted by Council during the 2011/ 2012. Lack of municipal own land and land invasion and / or mushrooming of informal settlement as well as the snail pace in the release of land pose a planning challenge in the municipality. To address the aforementioned challenges the municipality is in continuous engagement with "farm owner", "sector department" e.g. department of public works and department rural development & land reform to release land for development.

3.4.1. The table below depicts applications of LUM's in the municipality.

Applications for Land Use Development								
Detail	Formalization of Townships		Rezoning		Land Use Management and Control		Special Consent	
	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/ 2010	2010/ 2011
Planning application received	1	3	3	23	54	155	8	36
Approval made in the year of receipt	1	2	2	6	0	0	8	31
Approval made in the following year	0	1	0	9			0	0
Applications withdrawn	0	0	1	1	0	0	0	0
Application outstanding at year end		1	1	7			0	0
Reasons for a delay/ not being finalized	1. Awaiting ROD 2. New application 3. Awaiting approved Surveyor General Diagrams		1. Insufficient supportive information		1. Community awareness campaign on Council Policies and By- laws first 2. Objections received against the applications		1. Refer back from Council Meeting for further clarity. 2. Delay in submission of requested document from the applicant.	

3.4.2. Free Basic services and Indigent support

The municipality has appointed an indigent clerk during the year under review as we did not have a specific official dealing with indigent. The municipality provides free basic services to its indigent's population. There are total numbers of 1723 indigent households identified under the current financial year which give us the total of 4725. We have noted with serious challenge regarding the slow capturing and approval of the indigent forms. The Ward Councilors and the ward committee and Community Development Workers are assisting in identifying and monitoring the processes.

Challenges

Child headed families

The ownership visa via the title deeds

The second account (consumer)

Free Basic Services on low income households										
Financial Year	Number of households									
	Total		Free basic water		Free basic sanitation		Free basic Electricity		Free basic Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2008/09										
2009/10			3002		3002		3002		3002	
2010/2011			1723		1723		1723		1723	

Financial Performance 2010/11: Cost to municipality of free basic services delivery					
Service Delivery	2009/2010	2010/2011			
		Budget	Adjustment Budget	Actual	Variance from Original Budget
Free basic water	R1 266 769 90	R 184 964 60	N/A		
Free basic sanitation	R366 481 76	R 283 371 54	N/A		
Free basic					

Electricity	R 398 478 ,93	R 763 575 09	N/A		
Free basic Refuse	R 151 524 ,49	R 140 578 20	N/A		

3.5. Community and Social Services

3.5.1. SPORT, ARTS and CULTURE

The Division of Sport, Arts, Culture and Recreation develops and manages public open spaces, including parks, cemeteries, and formal and informal recreational sports facilities.

It aims to enhance quality of life by creating a functional and healthy environment in which the community can engage in recreational activities.

VISION

To be recognised as a leading provider of quality parks and dignified cemeteries for Modimolle citizens, thereby contributing towards a better life for all.

MISSION

To conserve, enhance and develop the town green public open spaces for present and future generations.

BENEFITS

Living in a healthy city with a plenitude of parks and open spaces benefits individuals, families and communities in a variety of different ways, including:

Health benefits

- encouraging physical exercise, which enhances health and builds self esteem
- promoting passive and active leisure activities, which contribute to psychological well-being

Social benefits

- Providing safe green spaces where children can partake in imaginative and free play
- Assistance in reducing adult and juvenile crime
- Providing opportunities for community involvement and ownership of parks

- Job creation initiatives, which promote self esteem and pride

Environmental benefits

- blocking the wind and helping dust to settle
- providing contact with nature for many urban dwellers
- boosts tourism

3.5.2. LIBRARY SERVICES

The key objective of the municipality through its Library services are to create an informed community, educate and inform the public in general and to render an important education service to the community. The target was to ensure that the public has access to books and information sources closer to their houses. The municipality currently has three libraries which are at Modimolle, Vaalwater and Phagameng. To accomplish its objectives of informed community, in 2010/2011 financial year the municipality scheduled two events namely Library week and World book day. The library is growing to such an extent that not only the children, but also their parents, can take out books with the introduction of books for the adults. At the end of the financial year the combined libraries of Modimolle town, Phagameng and Mabatlane Municipal Area had a total membership of 2309 readers. A total number of 83 703 books, magazines, etc. were taken out/ borrowed by members. The number of members, as well as the materials issued, was slightly higher than the previous year.

Modimolle Library has very active Friends of the Nylstroom Lees Club whose members rendering voluntary services of raising funds for buying books and other items like scanners and computers for the libraries.

3.5.3. PARKS AND FACILITIES

Modimolle Parks aims to promote pride in our town, and townships by establishing and maintaining its unique 'green' identity. The Department's core activities centre on the development and upgrading of safe and accessible parks for Modimolle's citizens and visitors. These facilities consist of playgrounds and multi-purpose hard courts to encourage active physical pursuits for children and adults.

Development and upgrading are undertaken in consultation with communities to ensure that their needs are met and to create a platform for effective service delivery.

The Department initiated facility maintenance contracts via community partnerships e.g. Nylstroom Bowling Club and Tennis club.

At the start of the financial year, a project was initiated to develop and implement a certain standard of maintenance of all parks in Modimolle. As the first step in this project, agreement was reached on the definition of public open spaces (POS) into the following categories:

- Community park
- Undeveloped public open spaces

Standards and frequencies were then developed for the mowing of grass and lawns, irrigation, litter picking and, tree maintenance, weed and pest control, fertilising, play equipment maintenance.

Play parks were maintained during the year and time was also spent on beautification projects such as soil preparation, irrigation, tables and benches, equipment and fences, trees. Etc.

The aim behind this project is not only to beautify our towns, but also to get the community involved, to maintain and develop these areas and take ownership of the area. The municipal has planted 400 trees plants and flowers. Trees were pruned on side walkers and park.

3.5.4. UPGRADING AND DEVELOPMENT OF CEMETERIES

In order to accommodate the demands for cemetery services and the challenges faced by Municipal cemetery service providers; we need to collectively consider our problems for future solutions. I speak of future solutions as I believe that the present courses of cemetery development has to be considered in conjunction with the conservation of our natural resources, health ,strategic planning both financial and spatial and role as service providers. We cannot continue to react to the demands for spaces unchecked, unsustainable development of cemeteries.

The re-use of the existing resources and encouraging alternatives to traditional burial practices has to continually be promoted.

Shortages occur especially within current areas of growth and in proximity to lower-income areas, where local cemeteries are required to mitigate against high transport costs.

During the past years cemeteries close to the communities were closed due to high water levels and lack of more space, various short-term goals were therefore set to upgrade and extend existing cemeteries and in so doing, lengthen their lifespan. Several new developments were also planned.

Extensions were undertaken at the Modimolle Cemetery, where 5000 graves were established.

During the year, the Department made significant progress with several projects to improve its systems, with the aim of increasing effectiveness and productivity. These included:

Grave Booking System:

A single centralised booking system was proposed, but was not budgeted for in 2010/ 2011 financial year.

The new system will provide the following benefits:

- Procedures and record-keeping for grave bookings.
- the security and validity of data will be improved a range of management reports will be easily available operating costs will be reduced customer service capabilities will improve
- The development of an electronic grave booking system, undertakers will be given account facilities.

3.5.5. SPORTS AND RECREATION

Recreation can serve as an entrance activity to sports participation as it plays a role in stimulation of physical activity. Over the past year there has never been a single recreation program that has been monthly initiated and nominated by all the sphere of government. The Major challenges are that resources are not channelled to sport facilities. Presently the Ephraim Mogale stadium is maintained daily with little resources.

Mabatlane stadium needs to be completed as we have applied for funding at lotto and MIG. As part of youth development and improvement of relationship between the municipality and its communities, the municipality runs different sporting and cultural events like, sports tournaments (OR Tambo Games) and marathons. Lack of sufficient sporting complexes in the municipality nullifies the municipal efforts. A resolution was taken in the SSCC for the community service department to ensure establishment sporting grounds.

In the year under review, the municipality participated / hosted the following events:

- O.R. Tambo games The events were held on September 2010 ;

The following sports codes participated

- ❖ Football
- ❖ Netball
- ❖ Tennis
- ❖ Boxing
- ❖ Rugby

3.5.6. WASTE MANAGEMENT

OVERVIEW

To develop, implement and maintain integrated pollution and waste management systems which contribute towards sustainable development and improvement of quality of life through effective prevention, minimization, re use and control of waste.

Description of the activity Waste Management functions:

- Waste collection and disposal
- Street cleansing
- Litter picking
- Maintenance of landfill sites

The municipality has a mandate to extend these services to the whole community of Modimolle by :

- Ensuring that the community lives in a clean and healthy environment.
- Participating in environmental awareness campaigns.
- Participating in waste planning Forum.

KEY CHALLENGES FOR 2010/2011

- Illegal dumping on open spaces.
- Poor or non-maintenance of vacant stands.
- Illegal mining of sand
- Ageing refuse trucks.

ANALYSIS OF THE
FUNCTION :

1. Number of personnel in the waste division.	(40)
:Divisional Manager	1
:Truck drivers	4
:Tractor drivers	1
:General workers	34
Total number of EPWP beneficiaries engaged in waste management.	267
2. Number of consumers receiving refuses removal services.	18000
3. Total projected tonnage of all refuse disposed.	20 160 t
4.Total number of landfill sides	2
5.ACHIEVEMENTS :	
<ul style="list-style-type: none"> • The environment was kept clean and healthy. • Municipal by-laws were enforced. • Cleansing was done in the whole area. • Temporary jobs were created to alleviate poverty within Modimolle. 	

3.6. Public Safety and Traffic and Licensing

Function :	Public Safety
Sub Function:	Traffic and Licensing

Reporting Level	Detail	Total	
Overview:	Includes police force, traffic (and parking) control and licensing		
Description of	The traffic control and licensing functions of		

the Activity:	<p>the Municipality are administered as follows and include:</p> <p>Traffic Control;</p> <p>Law Enforcement – speed measuring, roadblocks, other law enforcement activities.</p> <p>Escort duties – Funerals, Sport Events and</p> <p>Abnormal vehicles.</p> <p>Point duties</p> <p>Court attendance</p> <p>Fire Fighting Services.</p> <p>Registration and Licensing of Motor vehicles.</p> <p>The registration and licensing of old and new vehicles</p> <p>Update of motor vehicle records.</p> <p>Administration surrounding the introduction Of vehicles on the system.</p> <p>Testing of vehicles for roadworthiness</p> <p>Including testing of vehicles for fitness.</p> <p>Testing of Learner and Drivers Licenses</p> <p>Testing applicants for Learners Licenses</p> <p>Testing applicants for Drivers Licenses</p> <p>Administration surrounding Learner and Drivers Licenses – Eye tests, ordering of driver's license cards, re-ordering of driver's license cards, issue of learners licenses, issue of drivers licenses, issue of driver's license cards.</p> <p>Administration of Professional Driving Permits.</p> <p>All administration regarding the above mentioned such as filing, keeping of records, etc.</p> <p>These services are extended to include Mabatlane as well as Mabaleng, but as far as Law Enforcement is concerned it does not include the main roads passing through and from Mabatlane as those falls within the jurisdiction of the Limpopo Provincial Government.</p> <p>The municipality has a mandate to ensure the safety of all road users in the Municipalities area of jurisdiction.</p> <p>The strategic objectives of the function are to Reduce the number of accidents</p>	<p>391</p> <p>1235</p> <p>1106</p>	
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	<p>Reduce the number of unlicensed and Un-roadworthy vehicles</p> <p>Reduce the number of unlicensed drivers.</p> <p>The key issues for 2010/110 are to:</p> <p>Increase Law Enforcement.</p> <p>Reduce Vehicle Accidents</p> <p>Increase the control of the flow of traffic</p> <p>Increase the services delivery level in the License section</p>		
Analysis of the Function: 1.	<p>Number and cost to employer of all personnel associated with policing and traffic control:</p> <ul style="list-style-type: none"> - Professional (Senior Management) - Field (Supervisors) - Office - Non – Professional - Temporary 	<p>1</p> <p>2</p> <p>20</p> <p>2</p> <p>0</p>	
2.	Total Number of call-outs Emergency Standard	104	
3.	<p>Average response time to call-outs:</p> <ul style="list-style-type: none"> - Emergency call-outs - Standard call-outs 	10 min	
4.	<p>Total number of targeted violations: traffic offences</p> <p>Total amount of fines issued</p> <p>Total amount of fines paid</p> <p>Total amount received out of Licensing activities.</p>	1259	<p>358 080.00</p> <p>66 155.00</p> <p>2 666</p> <p>871.00</p>
5.	<p>Total number and type of emergencies leading to a loss of life or disaster</p> <ul style="list-style-type: none"> • Fire • Floods 	<p>10</p> <p>94</p>	
6.	Type and number of grants and subsidies received.	None	None
7.	Total cost of function		R5158 457

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3.7. M.I.G - PROJECT MANAGEMENT UNIT (P.M.U) PROJECTS

2010/2011 & 2011/2012

Project name	Project cost	Total Expenditure to date	Remaining amount	Project start date	Construction Period	Completion date (Revised)	Status	Consultant	Contractor	Challenges	No. of Local People employed to date	Steering Committee involvement
Modimolle- Joe Slovo Low Level Bridge	8,000,000.00	3,548,411.40	4,451,588.60	02/03/2010	8 Months	30/09/2011	The progress is at 5%	Civstruct Consulting Engineer	Le'sperance Sebenzani JV	The project has Been on hold due to contractor's contractual issues. While waiting for the Council Decision.	13 Labourers Males 9 and Female 3	Project meetings also serves as a PSC Meetings
Upgrading of Donkerpoort Purification Plant	14,367,580.00	3,336,589.93	11,030,990.07	02/03/2010	6 Months	02/07/2011	The progress is at 15% Civil works	Masetlaoka Scott Wilson Engineers	Bakgalaka Holding JV Moreteng Investments	The project is Progressing slow only on Civil works, while waiting for the Council Decision.	10 Labourers Males 10	Project meetings also serves as a PSC Meetings
Mabaleng High Mast light	396,838.00	0.00	0.00	20/06/2011	4 Months	20 /09/2011	Excavation and Foundation has been done	E.M.C Consulting Engineers	Mfuno Networking Solution	The hard rock that has been found, which special machinery needed to remove the rocks	4 Laboures	N/A
Mabatlane High Mast Light	396,838.00	0.00	0.00	20/06/2011	4 Months	20 /09/2011	Excavation and Foundation has been done	E.M.C Consulting Engineers	Mfuno Networking Solution	The hard rock that has been found, which special machinery needed to remove the rocks	9 Laboures	N/A
Leseding Taxi Rank	1,790,000.00	0.00	0.00	N/A	N/A	N/A	Consultant has been appointed finalizing the designs	MHT Civil Concept cc	N/A	N/A	N/A	N/A

M.I.G - PROJECT MANAGEMENT UNIT (P.M.U) PROJECTS

2010/2011& 2011/2012

<i>Project name</i>	<i>Project cost</i>	<i>Total Expenditure to date</i>	<i>Remaining amount</i>	<i>Project start date</i>	<i>Construction period</i>	<i>Completion date</i>	<i>Status</i>	<i>Consultant</i>	<i>Contractor</i>	<i>Challenges</i>	<i>No. of Local People employed to date</i>	<i>Steering Committee involvement</i>
Modimolle Market Stalls	2,000,000.00	170,000.00	0.00	N/A	N/A	N/A	Consultant has been appointed finalizing the designs	SML Projects	N/A	N/A	N/A	N/A
Mabatlane Market Stalls	1,000,000.00	0.00	0.00	N/A	N/A	N/A	Consultant has been appointed finalizing the designs	Bapedi Civil and Structural Consultants cc	N/A	N/A	N/A	N/A

Chapter 4

Organizational Development Performance

4. Introduction

Numerous programmers were introduced as intervention in the development of the municipal employees including politicians. Different purpose driven workshops; training interventions and OHS programmers were conducted. Due to the shortage of filling space two (2) lockable cabinets, were purchased and filling system were installed

4.1 Employee totals, turnover and vacancies

The municipal staff by end of the 2010/2011 financial was 228 employees, comprising 123 male and 105 employees. The number has declined by 5 employees compared to 2009/10 staff establishment due to employees who resigned. When the financial year ended the municipal manager and municipal engineer posts were vacant but advertised, hoping that they will be filled in 2011/2012 financial year.

Employees					
Description	2009/2010	2010/2011			
	Employee No.	Approved posts No.	Employee No.	Vacancies No	Vacancies %
Municipal Manager's office	6	8	6	2	25%
Finance Department	29	32	28	4	9%
Community services	62	64	62	2	1.5%
Corporate services	47	45	44	1	4%
Technical Services	45	46	43	3	6.5%
Strategic Planning	7	8	8	0	0%
Economic and Land Development	15	16	15	1	6%
Executive Support	22	22	22	0	0%
Totals	233	241	228	13	5%

4.1.1 Vacancy rate

Vacancy Rate			
Designation	Total approved posts	Variances(total time that vacancies exist using fulltime equivalents)	Variances (as a proportion of total posts in each category
Municipal manager	1	1	100%
CFO	1	0	0%
Head of Department(section 57 managers)	7	0	0%
Divisional Managers	17	0	0%
Professionals	12	0	0%
Technicians and trade workers	20	0	0%
Community and personal service workers	10	0	0%
Clerical and administrative worker	40	0	0%
Machine operators and drivers	12	01	0%
Laborers	112	0	0%
Total	234	12	0%

4.1.2. TURN-OVER RATE

Turn – over rate			
Details	Total appointment as of the beginning of the financial year	Termination during the financial year	Turn – over rate
2009/2010	22	7	32%
2010/2011	5	8	160%

4.2. Policies

The municipality developed 29 policies and 9 policies are under review and will be submitted to council for adoption.

HR policies and plans				
No.	Name of policy	Completed%	Reviewed%	Date adopted by council or comments for failure to adopt.
1.	Staff policy	100%		24/11/2009
2.	Code of conduct for employees.	100% as per (LGMSA)	100%	
3.	Acting on other posts.	100%	100%	
4.	Disciplinary policy.	100%	100%	24/11/2009
5.	Essential services agreement	100%	100%	
6.	Employee assistance/wellness	100%	Still draft	19/04/2011
7.	Employment equity	100%	Still draft	19/04/2011
8.	Employment practice policy	100%	Circulating for review.	
9.	Grievance procedures	As per (SALGBC)		
10.	HIV/AIDS	100%	100%	24/11/2009
11.	Policy on training /bursary	100%	100%	24/11/2009
12.	Information technology	100%	100%	
13.	Policy on acquisition and use of cell phone.	100%	Circulating for review.	Referred back 24/11/2009
14.	Leave policy.	100%	100%	
15.	Occupational health and safety	100%	Still draft	19/04/2011
16.	Memorial.	100%	Under review	24/11/2009
17.	Policy on intoxication on duty.	100%	100%	19/04/2011
18.	Municipal dress code.	100%	Circulating for review.	Referred back 24/11/2009
19.	Policy on over time worked rates.	100%	100%	24/11/2009
20.	Retrenchment policy.	100%		Referred back.

21.	Performance management and development.	100%	Draft.	
22.	Policy on temporary workers, casuals and students and volunteers.	100%	100%	24/11/2009
23.	Policy on long service awards.	100%	Circulating for review.	24/11/2009
24.	Policy on subsistence and travelling allowance.	100%		23/11/2004
25.	Sexual harassment.	100%	100%	
26.	Policy on smoking at work place.	100%	100%	
27.	Medical aid subsidy/policy.	100%	100%	
28.	Policy on provisioning and protective clothing.	100%		
29.	Communication policy.	100%	draft	
30.	Policy of sport and recreation.	100%	100%	

4.3. Skills development and training

41 employees, including politicians received training in different courses in the financial year under review. This includes 14 females and 27 males.

SKILLS MATRIX														
Management level	Gender	The employees in the post as at 30 June '10	Number of skilled employees required and actual as at 30 June 2011											
			Learner ships			Skills programmers and other short courses			Other forms of training			Total		
		No.	Actual 30 June '10	Actual June 2011	Target	Actual 30 June '10	Actual June '11	Target	Actual 30 June	Actual June '11	Target	Actual 30 June '10	Actual June '11	Target
Legislators	Female	9	0	0	0	1	1	5	0	8	5	1	8	9
	Male	9	0	0	0	3	3	5	0	4	5	3	5	7
Directors and senior managers	Female	2	0	0	2	2	2	0	0	0	0	0	2	2
	Male	2	0	0	8	8	12	12	12	12	12	12	12	12
Professionals	Female	8	5	5	8	0	0	0	0	0	0	5	5	8
	Male	6	3	3	6	0	0	0	0	0	0	3	3	6
Technicians and trade of workers	Female	1	0	0	0	1	1	0	0	0	0	3	3	6
	Male	10	0	0	0	5	5	0	0	0	0	5	5	5
Community	Female	1	0	0	0	8	5	1	0	0	0	1	1	1
	Male	10	0	0	0	0	0	10	0	0	0	10	10	10
Clerical and administration.	Female	34	3	3	10	10	10	15	3	3	5	16	16	30
	Male	12	1	1	5	2	2	5	0	0	2	3	3	12

Machine operators and drivers	Female	35	0	0	0	0	0	5	0	0	5	0	0	10
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
labourers	Female	21	0	0	6	4	4	4	5	0	0	8	0	8
	Male	186	0	0	40	10	10	0	10	0	0	18	0	0

4.3.1. Injuries, Sickness and suspensions

Number of cost of injuries on duty					
Type of injury	Injury leave taken	Employees using injury leave(No)	Proportion employees using sick leave (%)	Average injury leaves per employee (days)	Total estimated cost (R)
Required basic medical attention	12	5	10%	3	R12 900
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
TOTAL	0	0	0	0	0

4.3.2. Sick Leaves

Number of days and cost of sick leave(excluding injury on duty)					
Designation	Total of sick leave days yearly	Proportion of sick without medical certification	Employees using sick leaves(no)	Total employees in the post(No)	Average sick leave per employment
Directors and corporate managers	26.6 per person	5	22	21	5 days
Technicians and trade workers	26.6 per person	3	18	38	5 days

Community and personal service workers	26.6 per person	1	3	1	5 days
Clerical machines and administrative worker	26.6 per person	7	36	40	5 days
Machine operator and drivers	26.6	1	14	147	5 days
Labour	26.6	4	68		5 days
TOTAL					

4.3.3. Suspensions

The municipality has policies and regulations that guide the conducts of its employees while at duty. During the year under review no suspension of employees were recorded.

4.3.4. Disciplinary Action taken on cases of Financial Misconduct

The municipality has a code of conduct for its employees and regulations/policies to guide the conduct of employees while at duty. No disciplinary action was taken on the cases of financial misconducts in the year under review against any municipal employee.

4.3.5. Performance management

No performance assessment for the section 57 managers was done. The performance Audit committee was set up and the performance management system was adopted by council.

4.3.6. Skill development and training

41 employees, including politicians received training in different courses in the financial year under review. This includes 14 female and 27 male.

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SKILLS MATRIX														
Management level	Gender	The employees in the post as at 30 June '10	Number of skilled employees required and actual as at 30 June 2011											
			Learner ships			Skills programmers and Other short courses			Other forms of training			Total		
		No.	Actual 30 June '10	Actual June '11	Target	Actual 30 June '10	Actual June '11	Target	Actual 30 June '10	Actual June '11	Target	Actual 30 June '10	Actual June '11	Target
Legislators	Female	8	1	1	3	8	4	5	8	3	5	8	5	8
	Male	8	2	2	5	8	2	5	8	3	4	8	5	8
Directors and senior managers	Female	1	1	0	1	8	0	1	8	0	1	1	0	1
	Male	18	18	5	6	8	4	5	8	0	5	6	8	18
Professionals	Female	4	4	4	4	0	0	0	0	0	0	4	4	4
	Male	2	2	2	2	0	0	0	0	0	0	2	2	2
Technicians and Trade Workers	Female	1	0	0	0	0	0	0	0	0	0	0	0	0
	Male	4	0	0	0	1	0	0	0	0	0	1	0	0
Community and Personal Service Workers	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0	0	0	0	0
Clerical and Administrative Workers	Female	28	2	2	10	0	2	5	0	0	2	2	2	20
	Male	27	5	5	5	0	2	2	0	0	3	5	5	15
Machine Operators and Drivers	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	12	0	0	0	0	0	0	0	0	0	0	0	0
Labourers	Female	10	0	0	0	0	0	0	0	0	0	0	0	0
	Male	135	0	0	0	0	0	0	0	0	0	0	0	0
Total	Female	52	8	8	18	16	6	11	16	3	8	15	11	33
	Male	217	27	27	0	17	08	12	16	3	12	22	20	43

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Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
MM and section 57 (level 0)	Female	0
	Male	0
Senior management (Levels 01)	Female	0
	Male	0
Middle management (Levels2-3)	Female	0
	Male	0
Professional qualified and experienced specialists(level 4 – 6)	Female	0
	Male	0
Skilled technical and academically qualified workers. Junior management and foreman(level 7 – 9)	Female	0
	Male	0
Semi-skilled and discretionary decision making(level 10 – 15)	Female	0
	Male	0
Unskilled and defined decision making(level 16 – 17)	Female	0
	Male	0
Contracted	Female	0
	Male	0
Total		00
Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).		T4.6.2

Job evaluation was conducted hence there is no employee who has his/her salary exceeding the grade determined by job evaluation.

4.3.7. Disclosure of financial interests

Annually the municipality issues out disclosure of financial interest forms for its employees, including the legislators to sign. In the year under review all municipal employees and legislators had signed the disclosure of financial interest.

Chapter 5

Financial Performance

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CHAPTER 5

AUDITED STATEMENTS AND

RELATED FINANCIAL INFORMATION

This chapter covers the audited annual financial statements and the audit report for 2010/11.

5.1 Report of the Acting Chief Financial Officer

The implementation of the MFMA and Standards of Generally Recognized Accounting Practice (GRAP) were key milestones in the local government budget and finance management reforms agenda. The municipality has implemented GRAP for the first time in 2008/09 using the exemptions allowed in Government Gazette 30013 of 29 June 2009.

Review of Operating Result

The 2010/11 budget of Modimolle Local Municipality was approved by the Council on 25 May 2010, and the adjustment budget was approved by the Council on 23 February 2011. Figures with regard to the budget included in this report relates to the adjustment budget.

Details of the 2010/11 operating results per department and a classification of revenue and expenditure are included in the Statement of Financial Performance.

The tables below highlight some of the financial results of the municipality during the year

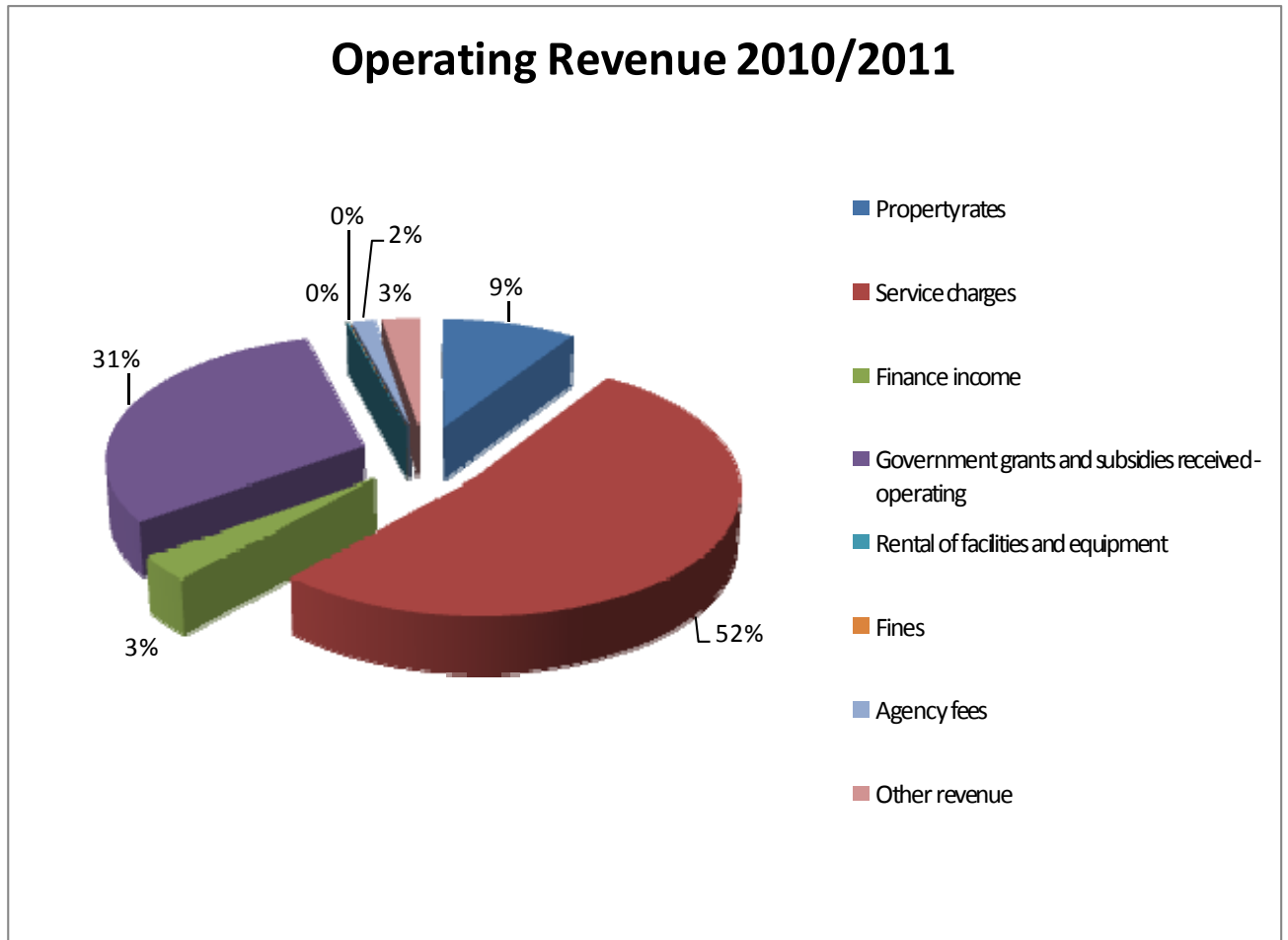
Table 1: Review of operating results

	Budget	Actual	Variance	Actual	Variance
	2010/2011	2010/2011	Actual/Budget	2009/2010	Year on Year
Income					
operating income for the year	170,908,566	170,511,384	0%	136,829,262	25%
Total	170,908,566	170,511,384	0%	136,829,262	25%
Expenditure					
Operating expenditure for the year	170,720,311	194,121,355	1%	152,334,309	27%
Changes in net assets		-		-253,973	-100%
Total	170,720,311	194,121,355	1%	152,080,336	-73%
Surplus / Deficit	188,255	-23,609,971	-0	-15,251,074	1

Table 1 above shows that actual operating income for 2010/11 was zero percent below the budget while the year-on-year actual income increased by 25 percent compared to 2009/10. Actual operating expenditure for 2010/11 increased by 27 percent compared to the budget.

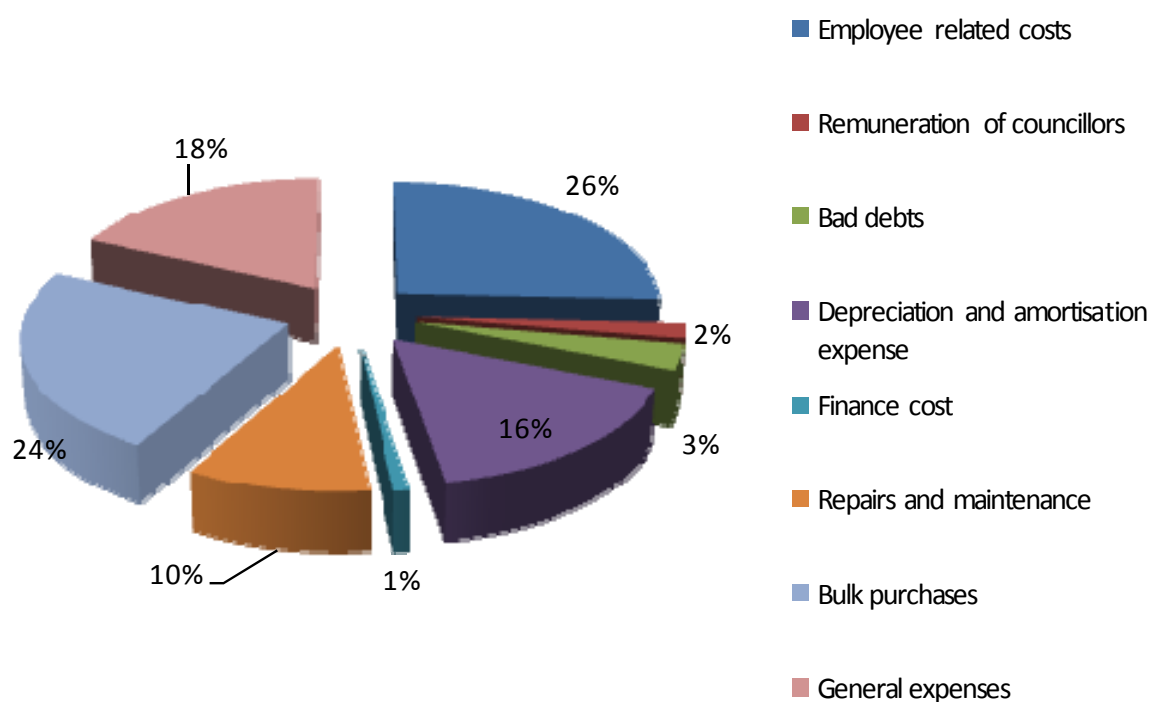
Operating Revenue

The following graph indicates a breakdown of the categories of revenue:



The following graph indicates a breakdown of the operating expenditure by type:

Operating Expenditure 2010/2011



Remuneration

Table 2: Remuneration as Percentage (R'000)

Description	Actual 2010/2011	Actual 2009/2010
Total Operating Expenditure	194,121	152,334
Total Operating Revenue	170,511	136,829
Employee Remuneration	49,894	44,273
Ratio: Percentage of total expenditure	26%	29%
Ratio: Percentage of total revenue	29%	32%

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a significant decrease from 32% in 2009/10 to 29% in 2010/11.

Government Grants

Table 3: Conditional Grants

	Amount received and spend each quarter									
	1 July 2010 - 30		1 October 2010 - 31		1 January 2011 - 31 March		1 April 2011 - 30 June		Total	
	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure
Financial Management Grant	3,000,000	616,688	-	887,670	-	936,392	-	1,371,730	3,000,000	3,812,481
Municipal Systems Improvement Grant	750,000	13,624	-	331,500	-	25,000	-	280,273	750,000	650,397
Municipal Infrastructure Grant	-	4,880,219	21,512,000	5,879,391	270,000	5,267,853	-	3,131,767	21,782,000	19,159,230
Waterberg District Municipality					2,000,000	2,000,000			2,000,000	2,000,000

Financial Management Grant:

The municipality met 87% of the conditions of the Financial Management Grant for the year 1 July 2010 to 30 June 2011. The unspent amount decreases from R1 357 869 in 2009/10 to R545 387 in 2010/11.

Municipal System Improvement Grant:

The municipality met 68% of the conditions of the Municipal Systems Improvement Grant for the year 1 July 2010 to 30 June 2011. The unspent amount increases from R203 020 in 2009/10 to R302 623 in 2010/11.

Municipal Infrastructure Grant:

The municipality met 70% of the conditions of the Municipal Infrastructure Grant for the year 1 July 2010 to 30 June 2011. The unspent amount increase from R5, 7 million in 2009/10 to R8, 3 million in 2010/11.

Debtors

Table 4: Consumer Debtors

	Actual	Actual	Variance
	2010/2011	2009/2010	year on year
Debtors			
Consumer Debtors			
- Gross Balance	51,377,668	38,183,268	35%
-Provision for Doubtful Debts	(23,829,174)	(19,369,711)	23%
- Net Balance	27,548,494	18,813,557	46%

The municipality's consumer debtors increased with R8, 7 million from 2009/2010 to 2010/2011.

Capital Expenditure

Table 5: Acquisition of Property, Plant and Equipment

	Budget 2010/2011	Actual 2010/2011	Variance Actual/B udget	Actual 2009/2010
Infrastructure	31,572,139	22,049,771	70%	23,524,916
Community assets	727,500	457,754	63%	449,337
Other	2,092,500	3,010,863	114%	1,280,556
Total	34,392,139	25,518,388	74%	25,254,809
	Budget 2010/2011	Actual 2010/2011	Variance Actual/B udget	Actual 2009/2010
Acquisition of Intangible Assets.				

Computer Software	3,000,000	-	0%	308,372
Total	3,000,000	-	0%	308,372

The Capital Acquisitions of Property, Plant and Equipment was funded from the following sources:

- Municipal Improvement Grant
- Financial Management Grant
- Municipal System Improvement Grant
- Own Funds

Some of the key features of acquisition of PPE in Table 5 are as follows:

- The acquisition of the financial system (MUNSOF)

Cash and Investments

Table 8: Cash and investments

Investment and cash		
	Actual 2010/2011	Actual 2009/2010
Current account (cashbook)	13,338,743	1,980,388
Petty cash	4,100	3,900
Call Accounts	7,848,970	179,503
Other short term investments 0 to 3 month	8,617,726	16,841,837
4 - 12 months investment	13,137,202	11,121,145
Longer than 1 year investment	1,705,523	1,462,107
Total	44,652,264	31,588,880

The cashbook closed with a positive balance of R13 338 743.
The municipality has no overdraft facility.

Long Term Loans

Table 9: Long term loans

	Actual	Actual
	2010/2011	2009/2010
Loans		
DBSA	3,132,640	3,627,021
Total	3,132,640	3,627,021

Existing long term loans were reduced by R494 381 during the year.

Financial Ratios

Table 8: Key Financial Ratios

Financial Ratios		
Current Asset ratio	Actual	Actual
	2010/2011	2009/2010
Current assets	80,320,648	56,158,586
Current liabilities	41,556,087	31,847,876
Current ratio	1.93	1.76
Quick asset ratio		
Current assets	80,320,648	56,158,586
Less inventory	7,565,134	4,302,880

	72,755,514	51,855,706
Current liabilities	41,556,087	31,847,876
Current ratio	1.75	1.63
Solvency		
Total assets	922,173,894	294,638,089
Total liabilities	72,374,363	47,454,136
Solvency ratio	12.74	6.21

Current ratio: The ratio increased from 1.76:1 to 1.93:1 between 2009/10 and 2010/11. The private sector norm is 2:1 and there is no available norm in local government. This ratio shows to what extent the current assets of the municipality cover the current liabilities. Alternatively put, it shows how the municipality is able to meet its short term commitments.

Quick ratio: This ratio increased from 1.63:1 to 1.75:1. The private sector norm is 1:1 and there is no generally acceptable norm for local government. It should be pointed out that these norms vary from business to business and from industry to industry. This ratio uses the same formula as the current ratio, except that inventory is deducted from current assets as it is less liquid.

Solvency ratio: The ratio shows how solvent the municipality is. Put differently, it shows to what extent the municipality is able to meet its long term commitments from its own resources. A ratio of less than one is an indication of insolvency.

JN Molekoa
Acting Chief Financial Officer



MODIMOLLE LOCAL MUNICIPALITY
Annual Financial Statements
July 2010/ June 2011

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

General Information

Mayoral committee

Executive Mayor

Councillors

Cllr K E Lekalakala

Cllr L W van Aswegen

Cllr MP Kekana

Cllr S A Sebolai (Speaker)

Cllr N G Mashitisho (Chief Whip)

Cllr J S Masked

Cllr R P Mashaba

Cllr N G Mojela

Cllr S D Sebelebele

Cllr M P Nyama

Cllr G Ferreira

Cllr M S Olifant

Cllr M F Marutha

Cllr J Nel

Cllr S J Moropene

Cllr M S Ledwaba

Cllr N A Khanya

Cllr W L Botes

Grading of local authority

3

Chief Finance Officer (CFO)

Mr. J N Molekoa (Acting)

Accounting Officer

K S Lekala

Registered office

Municipal Offices

Business address

Oliver Tambo Square

Harry Gwala Street

Modimolle

0510

Postal address

Private Bag X 1008

Modimolle

0510

Bankers

First National Bank

Standard Bank

Auditors

Auditor General

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognized Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Council's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the district municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the district municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the board are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 35, which have been prepared on the going concern basis, were approved by the board on 31 August 2011 and were signed on its behalf by:

K S Lekala
Municipal Manager

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	7	7,565,134	4,302,880
Investments	4	13,137,202	11,121,145
Other receivables	8	2,260,278	2,397,317
VAT receivable	9	-	18,060
Consumer debtors	10	27,548,494	18,813,557
Cash and cash equivalents	11	29,809,540	19,005,628
		80,320,648	55,658,587
Non-Current Assets			
Property, plant and equipment	2	839,343,486	236,660,958
Intangible assets	3	203,970	256,171
Receivables	5	100,267	100,267
Investments	6	1,705,523	1,462,107
		841,353,246	238,479,503
Non-current assets held for sale	12	500,000	500,000
Total Assets		922,173,894	294,638,090
Liabilities			
Current Liabilities			
Finance lease obligation	16	152,466	216,447
Trade and other payables from exchange transactions	19	22,092,382	19,556,546
VAT payable	20	5,276,715	-
Consumer deposits	21	2,681,245	2,500,978
Unspent conditional grants and receipts	17	10,987,375	9,077,484
Current portion of borrowings		365,904	496,421
		41,556,087	31,847,876
Non-Current Liabilities			
Other financial liabilities	15	2,766,736	3,130,599
Finance lease obligation	16	93,949	152,467
Retirement benefit obligation		15,204,809	13,862,891
Provisions	18	12,752,782	-
		30,818,276	17,145,957
Total Liabilities		72,374,363	48,993,833
Net Assets		849,799,531	245,644,257
Net Assets			
Reserves			
Housing Development Fund	13&13	483,263	483,263
Revaluation reserves	14&14	609,312,035	-
Accumulated surplus		240,004,233	245,160,994
Total Net Assets		849,799,531	245,644,257

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates		15,905,657	12,907,381
Service charges		89,469,762	74,478,685
Rental of facilities and equipment		160,388	203,939
Income from agency services		2,666,872	2,626,423
Fines		70,650	143,962
Government grants and subsidies		70,568,028	61,646,741
	22	178,841,357	152,007,131
Other income			
Other income		4,378,235	2,146,980
Interest received	29	5,745,000	5,215,259
		10,123,235	7,362,239
Expenses (Refer to page 6)		(192,588,851)	(151,031,139)
Operating (deficit) surplus		(3,624,259)	8,338,231
Finance costs	31	(1,532,504)	(1,557,143)
(Deficit) surplus for the year		(5,156,763)	6,781,088

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Operating expenses			
Advertising		(404,013)	(241,404)
Auditors remuneration	32	(1,562,612)	(1,314,163)
Bad debts		(6,303,629)	(10,901,629)
Bank charges		(582,552)	(682,373)
Bulk purchases		(45,798,418)	(38,144,169)
Cleaning		(1,057,720)	(917,645)
Collection costs		(186,953)	(205,677)
Commission paid		(652,279)	(454,047)
Conferences and seminars		(154,492)	(97,962)
Professional fees - internal audit		(177,741)	(185,089)
Consulting and professional fees		(1,802,185)	(727,226)
Depreciation, amortisation and impairments		(32,200,101)	(9,348,582)
Employee costs		(53,623,806)	(48,889,551)
Entertainment		(186,351)	(162,751)
Valuation costs		(113,220)	(45,976)
Upgrade Eskom Substation		(3,800,000)	(8,084,666)
Financial training		(500,259)	(542,805)
MSIG expenses		(458,017)	(642,495)
Indigents expenditure		(2,176,253)	(3,885,124)
Programming		(1,045,215)	(588,388)
Insurance		(1,762,654)	(1,670,731)
Lease rentals on operating lease		(1,478,090)	(784,390)
Legal expenses		(1,250,553)	(3,888,958)
Loss on disposal of assets		-	(253,973)
Medical membership expenses		(806,843)	(668,429)
Motor vehicle expenses		(1,960,905)	(1,758,364)
Other expenses		(5,632,241)	(3,916,720)
Postage		(4,214)	-
Printing and stationery		(653,127)	(672,116)
Promotions		(303,649)	(275,064)
Protective clothing		(357,808)	(212,363)
Repairs and maintenance		(19,368,024)	(6,529,718)
Security		(3,451,759)	(3,049,710)
Subscriptions		(356,764)	(268,651)
Telephone and fax		(757,398)	(951,906)
Training		(59,250)	(68,324)
Travel - local		(1,599,756)	-
		(192,588,851)	(151,031,139)

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

	Housing Development Fund	Revaluation Reserves	Total reserves	Accumulated surplus	Total net assets
Figures in Rand					
Balance at 01 July 2009	483,263	-	483,263	239,919,603	240,402,866
Changes in net assets					
Prior year adjustment	-	-	-	(1,539,697)	(1,539,697)
Net income (losses) recognised directly in net assets	-	-	-	(1,539,697)	(1,539,697)
Surplus for the year	-	-	-	6,781,088	6,781,088
Total recognised income and expenses for the year	-	-	-	5,241,391	5,241,391
Total changes	-	-	-	5,241,391	5,241,391
Balance at 01 July 2010	483,263	-	483,263	245,160,996	245,644,259
Changes in net assets					
Deficit for the year	-	-	-	(5,156,763)	(5,156,763)
Revaluation of property, plant and equipment	-	609,312,035	609,312,035	-	609,312,035
Total changes	-	609,312,035	609,312,035	(5,156,763)	604,155,272
Balance at 30 June 2011	483,263	609,312,035	609,795,298	240,004,233	849,799,531

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		105,375,316	103,892,827
Grants		70,281,476	61,646,741
Interest income		5,745,000	5,215,259
		181,401,792	170,754,827
Payments			
Employee costs		(56,320,016)	(48,190,927)
Suppliers		(84,350,617)	(88,872,273)
Finance costs		(1,532,504)	(1,557,143)
		(142,203,137)	(138,620,343)
Net cash flows from operating activities	34	39,198,655	32,134,484
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(25,518,388)	(25,254,807)
Purchase of other intangible assets	3	-	(308,372)
Proceeds from sale of financial assets		(2,016,057)	5,540,134
Movement on non current investments		(243,416)	(208,594)
Net cash flows from investing activities		(27,777,861)	(20,231,639)
Cash flows from financing activities			
Repayment of other financial liabilities		(363,863)	(520,847)
Movement in borrowings		(130,517)	50,340
Prior year error adjusted in equity		-	(1,539,697)
Finance lease payments		(122,499)	(263,250)
Net cash flows from financing activities		(616,879)	(2,273,454)
Net increase/(decrease) in cash and cash equivalents		10,803,915	9,629,391
Cash and cash equivalents at the beginning of the year		19,005,628	9,376,237
Cash and cash equivalents at the end of the year	11	29,809,543	19,005,628

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for doubtful debts
- Impairment of assets
- Other

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realizable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Significant judgments and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Useful lives of waste and water networks and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognized as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognized in surplus or deficit.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognized in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Years
Infrastructure	
• Roads, pavements, bridges and storm water	10
• Street names, signs and parking meters	5
• Water reservoirs and reticulation	15 - 20
• Electricity reticulation	20 - 50
• Sewerage purification and reticulation	15 - 20
• Refuse sites	15
• Security measures	5
Community	
• Parks and gardens	10 - 30
• Sport fields	20 - 30
• Community halls	30
• Libraries	30
• Recreation facilities	30
• Cemeteries	30
Other property, plant and equipment	
• Motor vehicles	5
• Plant and equipment	5
• IT equipment	3
• Office equipment	3 - 5
• Specialized vehicles	10
Finance lease Assets	
• Office equipment	5

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognized when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Years
Licenses	3
Computer software	3

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.7 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, Value Added Tax and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Revenue from spot fines and summonses is recognised when payment is received.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.11 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.14 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.16 Presentation of currency

These annual financial statements are presented in South African Rand.

1.17 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.18 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.19 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand

2011

2010

2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	112,991,847	-	112,991,847	22,035,000	-	22,035,000
Buildings	46,695,683	(8,720,046)	37,975,637	40,883,196	(1,396,739)	39,486,457
Office equipment	2,010,072	(1,969,591)	40,481	2,010,072	(1,709,138)	300,934
Infrastructure	741,868,967	(77,510,165)	664,358,802	180,582,594	(16,303,623)	164,278,971
Community	19,774,766	(4,214,654)	15,560,112	7,908,671	(382,501)	7,526,170
Other property, plant and equipment	12,539,335	(4,122,728)	8,416,607	6,234,580	(3,201,154)	3,033,426
Total	935,880,670	(96,537,184)	839,343,486	259,654,113	(22,993,155)	236,660,958

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	22,035,000	-	90,956,847	-	112,991,847
Buildings	39,486,457	340,261	1,038,651	(2,889,732)	37,975,637
Office equipment	300,934	-	-	(260,453)	40,481
Infrastructure	164,278,971	22,049,771	504,112,611	(26,082,551)	664,358,802
Community	7,526,170	117,493	9,376,823	(1,460,374)	15,560,112
Other property, plant and equipment	3,033,426	3,010,863	3,827,108	(1,454,790)	8,416,607
	236,660,958	25,518,388	609,312,040	(32,147,900)	839,343,486

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Classified as held for sale	Depreciation	Total
Land	22,535,000	-	-	(500,000)	-	22,035,000
Buildings	40,394,300	449,337	-	-	(1,357,180)	39,486,457
Office equipment	561,387	-	-	-	(260,453)	300,934
Infrastructure	147,301,208	23,524,914	(10,993)	-	(6,536,158)	164,278,971
Community	7,795,881	-	-	-	(269,711)	7,526,170
Other property, plant and equipment	2,868,731	1,280,556	(242,980)	-	(872,881)	3,033,426
	221,456,507	25,254,807	(253,973)	(500,000)	(9,296,383)	236,660,958

Assets subject to finance lease (Net carrying amount)

Office equipment	40,481	300,934
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Revaluations

The effective date of the revaluations was 30 June 2011. Revaluations were performed by independent valuer.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand

2011

2010

3. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	308,372	(104,402)	203,970	308,372	(52,201)	256,171

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software, other	256,171	(52,201)	203,970

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	308,372	(52,201)	256,171

4. Investments

Held to maturity

Current investment

13,137,202 11,121,145

Investments totalling R13 338 743(2010: R32 358 107) were ceded to the DBSA and FNB respectively. These investments serve as security for the long term loans and a bank guarantee granted.

Current assets

Held to maturity

13,137,202 11,121,145

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

5. Receivables

The amounts represent deposit that is held by Eskom for bulk services rendered to the municipality.

6. Investments

These investments serve as security for the long term loans and a bank guarantee granted. Included in the investment is a unlisted investment designated as available for sale investments amounting to R 4 000.

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
7. Inventories		
Water	56,962	56,962
Unsold Properties Held for Resale	919,000	919,000
Stores, materials and fuels	6,589,172	3,326,918
	7,565,134	4,302,880
8. Other receivables		
Operating lease asset	588	588
Sundry debtors	2,259,690	2,396,729
	2,260,278	2,397,317
9. VAT receivable		
VAT	-	18,060
10. Consumer debtors		
Gross balances		
Rates	8,630,003	6,836,908
Electricity	4,313,984	2,577,221
Water	13,979,503	8,187,158
Sewerage	3,826,083	2,911,011
Refuse	4,797,418	4,381,582
VAT	4,411,307	6,979,058
Other (sundry debtors)	11,419,370	6,310,331
	51,377,668	38,183,269
Less: Provision for debt impairment		
Electricity	(2,159,748)	(1,755,563)
Water	(6,803,326)	(5,576,963)
Refuse	(3,455,993)	(2,984,664)
VAT	(2,632,773)	(4,754,024)
Other (sundry debtors)	(8,777,334)	(4,298,498)
	(23,829,174)	(19,369,712)
Net balance		
Rates	8,630,003	6,836,908
Electricity	2,154,236	821,658
Water	7,176,177	2,610,195
Sewerage	3,826,083	2,911,011
Refuse	1,341,425	1,396,918
Housing rental	1,778,534	2,225,034
Other (specify)	2,642,036	2,011,833
	27,548,494	18,813,557
Rates		
Current (0 -30 days)	1,110,523	760,813
31 - 60 days	288,721	344,370
61 - 90 days	327,809	280,930
91 - 120 days	309,760	243,784
121 - 365 days	6,593,190	5,207,011
	8,630,003	6,836,908

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
10. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	1,371,291	436,972
31 - 60 days	185,224	60,322
61 - 90 days	108,348	37,355
91 - 120 days	41,905	31,789
121 - 365 days	447,468	11,609
> 365 days	-	243,611
	2,154,236	821,658
Water		
Current (0 -30 days)	828,639	227,931
31 - 60 days	451,180	152,843
61 - 90 days	308,425	138,297
91 - 120 days	378,075	110,271
121 - 365 days	5,209,858	1,980,853
	7,176,177	2,610,195
Sewerage		
Current (0 -30 days)	600,621	324,339
31 - 60 days	156,373	146,698
61 - 90 days	134,384	125,400
91 - 120 days	124,482	112,617
121 - 365 days	2,810,223	2,201,957
	3,826,083	2,911,011
Refuse		
Current (0 -30 days)	127,600	93,293
31 - 60 days	44,041	58,641
61 - 90 days	36,815	52,618
91 - 120 days	34,445	47,265
121 - 365 days	1,098,524	1,145,101
	1,341,425	1,396,918
VAT		
Current (0 -30 days)	313,409	171,143
31 - 60 days	94,667	253,425
61 - 90 days	284,270	218,485
91 - 120 days	74,769	181,748
121 - 365 days	1,011,419	1,400,233
	1,778,534	2,225,034
Other (sundry debtors)		
Current (0 -30 days)	19,260	390,096
31 - 60 days	14,818	262,821
61 - 90 days	603,513	227,548
91 - 120 days	36,699	210,577
121 - 365 days	1,967,746	920,791
	2,642,036	2,011,833

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
10. Consumer debtors (continued)		
Reconciliation of debt impairment provision		
Balance at beginning of the year	(19,369,712)	(8,468,083)
Contributions to provision	(6,303,629)	(10,901,629)
Debt impairment written off against provision	1,844,167	-
	(23,829,174)	(19,369,712)
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4,100	3,900
Bank balances	13,338,743	1,980,388
Short-term deposits	16,466,697	17,021,340
	29,809,540	19,005,628
12. Non - current assets held for sale		
The municipality intends selling off land and buildings on which the municipal stores were previously located. The municipal stores have relocated and is centralised with the municipal workshop.		
13. Housing Development Fund		
Opening balance	483,263	483,263
14. Revaluation reserves		
The revaluation reserve arises on the revaluation of property, plant and equipment during the year under review.		
Change during the year	609,312,035	-
Revaluation surplus relating to property, plant and equipment		
Movements in the reserve for the year	609,312,035	-
15. Other financial liabilities		
Held at amortised cost		
Bank loan	2,766,736	3,130,599
An investment amounting to R1 701 523 (2010: R1 458 107) was ceded to DBSA as security for a loan granted.		
Non-current liabilities		
At amortised cost	2,766,736	3,130,599

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
16. Finance lease obligation		
Minimum lease payments due		
- within one year	566,407	447,935
- in second to fifth year inclusive	2,247,144	-
	2,813,551	447,935
less: future finance charges	(815,930)	-
Present value of minimum lease payments	1,997,621	447,935
Present value of minimum lease payments due		
- within one year	152,466	216,447
- in second to fifth year inclusive	93,949	152,467
	246,415	368,914
Non-current liabilities	93,949	152,467
Current liabilities	152,466	216,447
	246,415	368,914

It is municipality policy to lease certain equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	8,316,830	5,694,061
Finance Management Grant	545,387	1,357,868
Municipal Systems Improvement Grant	302,623	203,020
DME	1,822,535	1,822,535
	10,987,375	9,077,484

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and The DME grant has been repaid after year end by the municipality.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	-	12,752,782	12,752,782

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
19. Trade and other payables from exchange transactions		
Trade payables	3,188,831	2,335,207
Payments received in advanced - contract in process	2,966,570	3,840,254
Other payables	2,170,596	1,051,451
Retention	2,827,558	2,174,387
Accrued leave pay	3,025,647	3,923,210
Unknown deposits	7,913,180	6,232,037
	22,092,382	19,556,546
20. VAT payable		
Tax refunds payables	5,276,715	-
21. Consumer deposits		
Electricity	2,681,245	2,500,978
No interest is paid on consumer deposits. Guarantees held in lieu of electricity and water deposits amounted to R 378 900 (for 2009 amounted to R 374 989)		
22. Revenue		
Property rates	15,905,657	12,907,381
Service charges	89,469,762	74,478,685
Rental of facilities and equipment	160,388	203,939
Income from agency services	2,666,872	2,626,423
Fines	70,650	143,962
Government grants and subsidies	70,568,028	61,646,741
	178,841,357	152,007,131
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	89,469,762	74,478,685
Rental of facilities and equipment	160,388	203,939
Income from agency services	2,666,872	2,626,423
	92,297,022	77,309,047
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15,905,657	12,907,381
Fines	70,650	143,962
Transfer revenue		
Levies	70,568,028	61,646,741
	86,544,335	74,698,084
23. Service charges		
Sale of electricity	53,428,191	44,345,405
Sale of water	29,883,076	24,312,311
Refuse removal	6,158,495	5,820,969
	89,469,762	74,478,685

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand

2011

2010

24. Government grants and subsidies

Equitable share	46,944,901	35,962,346
Finance management grant	3,812,481	1,972,222
Municipal system improvement grant	596,011	1,172,065
Municipal infrastructure grant	19,214,635	22,540,108
	70,568,028	61,646,741

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

25. General expenses

Advertising	404,013	241,404
Auditors remuneration	1,562,612	1,314,163
Bank charges	582,552	682,373
Chemicals	1,057,720	917,645
Commission paid	652,279	454,047
Consulting and professional fees	3,230,479	4,801,273
Entertainment	186,351	162,751
Insurance	1,762,654	1,670,731
Conferences and seminars	154,492	97,962
Lease rentals on operating lease	1,478,090	784,390
Medical expenses	806,843	668,429
Motor vehicle expenses	1,960,905	1,758,364
Postage and courier	4,214	-
Printing and stationery	653,127	672,116
Promotions	303,649	275,064
Protective clothing	357,808	212,363
Security (Guarding of municipal property)	3,451,759	3,049,710
Subscriptions and membership fees	356,764	268,651
Telephone and fax	757,398	951,906
Training	59,250	68,324
Travel - local	1,599,756	-
Valuation costs	113,220	45,976
Financial training	500,259	542,805
MSIG Expenses	458,017	642,495
Indigents expenditure	2,176,253	3,885,124
Programming	1,045,215	588,388
Upgrade Eskom substation	3,800,000	8,084,666
Other expenses	5,632,241	3,916,720
	35,107,920	36,757,840

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand

2011

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26. Employee related costs

Basic	33,910,466	29,946,934
Medical aid - company contributions	1,575,445	1,270,949
UIF	301,961	270,531
SDL	381,423	301,476
Leave pay provision charge	(523,668)	780,724
Post-employment benefits - Pension - Defined contribution plan	6,116,861	5,249,378
Overtime payments	1,401,649	1,774,036
Transport allowance	2,402,755	2,180,795
Housing benefits and allowances	192,088	177,119
Standby allowances	461,124	443,277
Cellphone allowances	783,996	544,546
Contribution to group insurance	177,288	178,914
	47,181,388	43,118,679

Remuneration of municipal manager

Annual Remuneration	510,000	-
Allowance	173,603	-
Contributions to UIF, Medical and Pension Funds	166,397	-
	850,000	-

The position was vacant during 2010 financial year.

Corporate and human resources (corporate services)

Annual Remuneration	244,856	342,257
Allowance	291,963	276,113
Contributions to UIF, Medical and Pension Funds	84,100	77,156
	620,919	695,526

Health, safety and social services (emergency management services)

Annual Remuneration	374,399	339,018
Allowance	127,956	128,954
Contributions to UIF, Medical and Pension Funds	118,564	114,344
	620,919	582,316

Procurements and infrastructure (planning, transport and environmental affairs)

Annual Remuneration	365,117	327,241
Allowance	174,568	168,936
Contributions to UIF, Medical and Pension Funds	81,234	79,196
	620,919	575,373

27. Remuneration of councillors

Mayor	582,758	563,479
Councilors	2,199,924	2,420,203
Speaker	466,205	456,468
Executive Committee Members	480,774	477,507
	3,729,661	3,917,657

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
28. Debt impairment		
Debts impaired	6,303,629	10,901,629
29. Investment revenue		
Interest revenue		
Bank	408,400	628,405
Interest charged on trade and other receivables	2,830,587	1,972,226
Interest from other source	2,506,013	2,614,628
	5,745,000	5,215,259
30. Depreciation and amortisation		
Property, plant and equipment	32,200,101	9,348,582
31. Finance costs		
Finance leases	-	84,206
Current borrowings	424,266	456,677
Provisions	1,108,238	1,016,260
	1,532,504	1,557,143
32. Auditors' remuneration		
Fees	1,562,612	1,314,163
33. Bulk purchases		
Electricity	42,046,553	33,651,593
Water	3,751,865	4,492,576
	45,798,418	38,144,169
34. Cash generated from operations		
(Deficit) surplus Adjustments	(5,156,763)	6,781,088
for: Depreciation and amortisation	32,200,101	9,348,582
Gain on sale of assets and liabilities	-	253,973
Debt impairment	6,303,629	10,901,629
Movements in retirement benefit assets and liabilities	1,341,918	2,555,957
Movements in provisions	12,752,782	-
Changes in working capital:		
Inventories	(3,262,254)	(486,090)
Other receivables	137,039	738,181
Consumer debtors	(15,038,566)	(9,674,283)
Trade and other payables from exchange transactions	2,535,836	2,295,518
VAT	5,294,775	2,732,632
Unspent conditional grants and receipts	1,909,891	6,564,344
Consumer deposits	180,267	122,953
	39,198,655	32,134,484

MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand

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35. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	-	9,849,614
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This committed expenditure relates to plant and equipment and will be financed by government grants.

36. Contingencies

Pro active and regional town planning

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity. Land donated to Waterberg District Municipality and they are liable for township establishment costs. Modimolle appointed the town planners to establish the township. There is a dispute as to who is liable for the invoice. The town planner is holding Modimolle liable. The claim under dispute amounts to R729,600.

Dispute with former Chief Financial Officer

The former Chief Financial Officer had referred her dispute over her dismissal to the CCMA. The estimated legal cost relating to this matter amount to R20,000.

37. Prior period errors

During the 2010 financial year the municipality did not recognise the post employment benefit on Long Service Awards, the adjustment has been made in prior year period.

The correction of the error results in adjustments as follows:

Statement of financial position

Retirement benefit obligation	-	(1,539,697)
Opening Accumulated Surplus or Deficit	-	1,539,697

Cash flow statement

Cash flow from operating activities

Prior year periods adjustment	-	1,539,697
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Cash flow from financing activities

Prior year periods adjustment	-	(1,539,697)
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38. Unauthorised expenditure

Unauthorised expenditure	-	9,038,658
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39. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	3,311,388
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40. Irregular expenditure

Current year	-	1,249,168
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MODIMOLLE LOCAL MUNICIPALITY

Figures in Rand	2011	2010
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41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	356,764	231,735
Amount paid - current year	(356,764)	(231,735)
	-	-

Audit fees

Current years fee	1,562,612	1,314,163
Amount paid - current year	(1,562,612)	(1,314,163)
	-	-

PAYE and UIF

Current year payroll deductions	3,828,211	3,777,117
Amount paid - current year	(3,828,211)	(3,777,117)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	7,692,306	6,612,456
Amount paid - current year	(7,692,306)	(6,612,456)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor D Sebelebele	-	859	859
Councillor A N Khanya	-	3,155	3,155
Councillor M F Marutha	-	2,181	2,181
Councillor S J Moropene	-	1,401	1,401
	-	7,596	7,596

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor S A Sebolai	-	834	834
Councillor RR Molekoa	-	1,848	1,848
Councillor L G Trichardts	-	507	507
Councillor SF Kobe	-	2,215	2,215
Councillor M S Motshegoa	-	34	34
	-	5,438	5,438

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Figures in Rand

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42. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Grant details	Amount received and spend each quarter							
	1 July 2010 - 30 September 2010		1 October 2010 - 31 December 2010		1 January 2011 - 31 March 2011		1 April 2011 - 30 June 2011	
	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure
Financial Management Grant	3,000,000	616,688	-	887,670	-	936,392	-	1,371,730
Municipal Systems Improvement Grant	750,000	13,624	-	331,500	-	25,000	-	280,273
Municipal Infrastructure Grant	-	4,880,219	21,512,000	5,879,391	270,000	5,267,853	-	3,131,767
Waterberg District Municipality					2,000,000	2,000,000		

Financial Management Grant :

Opening Balance	1,357,869
Total Receive for the year ended 30 June 2010	3,000,000
Total Expenditure for the year ended 30 June 2010	<u>3,812,481</u>
Unspent amount transferred to liabilities	<u><u>545,387</u></u>

The municipality met 87% of the conditions of the Financial Management Grant for the year 1 July 2010 to 30 June 2011.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Municipal Systems Improvement Grant:

Opening Balance	203,020
Total Receive for the year ended 30 June 2010	750,000
Total Expenditure for the year ended 30 June 2010	<u>650,397</u>
Unspent amount transferred to liabilities	<u><u>302,623</u></u>

The municipality met 68% of the conditions of the Municipal Systems Improvement Grant for the year 1 July 2010 to 30 June 2011.

Municipal Infrastructure Grant

Opening Balance	5,694,061
Total Receive for the year ended 30 June 2010	21,782,000
Total Expenditure for the year ended 30 June 2010	<u>19,159,230</u>
Unspent amount transferred to liabilities	<u><u>8,316,831</u></u>

The municipality met 70% of the conditions of the Municipal Infrastructure Grant for the year 1 July 2010 to 30 June 2011.

Grant details Amount received and spend each quarter

	1 July 2010 - 30 September 2010		1 October 2010 - 31 December 2010		1 January 2011 - 31 March 2011		
	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure	Total
	Receive	Expenditure	Receive	Expenditure	Receive	Expenditure	
Financial Management Grant	3,000,000	616,688	-	887,670	-	936,392	
-	1,371,730	3,000,000	3,812,481				
Municipal Systems Improvement Grant	750,000	13,624	-	331,500	-	25,000	-
280,273	750,000	650,397					
Municipal Infrastructure Grant	-	4,880,219	21,512,000	5,879,391	270,000		
5,267,853	-	3,131,767	21,782,000	19,159,230			
Waterberg District Municipality			2,000,000	2,000,000			
2,000,000	2,000,000						

Financial Management Grant :

Opening Balance	1,357,869
Total Receive for the year ended 30 June 2010	3,000,000
Total Expenditure for the year ended 30 June 2010	3,812,481
Unspent amount transferred to liabilities	545,387

The municipality met 87% of the conditions of the Financial Management Grant for the year 1 July 2010 to 30 June 2011.

MODIMOLLE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Municipal Systems Improvement Grant:

Opening Balance	203,020	
Total Receive for the year ended 30 June 2010		750,000
Total Expenditure for the year ended 30 June 2010		650,397
Unspent amount transferred to liabilities	302,623	

The municipality met 68% of the conditions of the Municipal Systems Improvement Grant for the year 1 July 2010 to 30 June 2011.

Municipal Infrastructure Grant

Opening Balance	5,694,061	
Total Receive for the year ended 30 June 2010		21,782,000
Total Expenditure for the year ended 30 June 2010		19,159,230
Unspent amount transferred to liabilities	8,316,831	

The municipality met 70% of the conditions of the Municipal Infrastructure Grant for the year 1 July 2010 to 30 June 2011.

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Appendix A

June 2011

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
11191/1	2014	450,515	-	87,490	363,025	-	-
LN10467	2017	1,553,980	-	137,671	1,416,309	-	-
NP13537	2020	1,440,276	-	147,720	1,292,556	-	-
N14008/1	2011	182,250	-	121,500	60,750	-	-
		3,627,021	-	494,381	3,132,640	-	-
		3 627 021	-	494 381	3 132 640	-	-

Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	22,035,000	-	-	-	90,956,847	-	112,991,847	-	-	-	-	-	-	112,991,847
Buildings (Separate for AFS purposes)	40,883,196	340,261	-	-	1,038,651	4,433,575	46,695,683	(1,396,739)	-	-	(2,889,732)	(4,433,575)	(8,720,046)	37,975,637
	62,918,196	340,261	-	-	91,995,498	4,433,575	159,687,530	(1,396,739)	-	-	(2,889,732)	(4,433,575)	(8,720,046)	150,967,484
Infrastructure														
Roads, Pavements & Bridges	30,731,638	4,122,489	-	13,739,904	504,112,611	-	552,706,642	(1,391,621)	-	-	-	-	(1,391,621)	551,315,021
Transmission & Reticulation	62,081,121	1,157,459	-	-	-	-	63,238,580	(6,960,929)	-	-	-	-	(6,960,929)	56,277,651
Water purification	45,988,741	-	-	-	-	-	45,988,741	-	-	-	-	-	-	45,988,741
Reticulation	2,923,487	4,500,109	-	-	-	-	7,423,596	(669,328)	-	-	-	-	(669,328)	6,754,268
Sewerage purification	37,992,433	-	-	-	-	33,583,741	71,576,174	(7,281,746)	-	-	(26,082,551)	(33,583,741)	(66,948,038)	4,628,136
Other (fibre optic, WIFI infrastruc)	865,172	-	-	-	-	-	865,172	-	-	-	-	-	-	865,172
Other 1	-	70,062	-	-	-	-	70,062	-	-	-	-	-	-	70,062
	180,582,592	9,850,119	-	13,739,904	504,112,611	33,583,741	741,868,967	(16,303,624)	-	-	(26,082,551)	(33,583,741)	(75,969,916)	665,899,051
Community Assets														
Recreational facilities	7,286,021	307,548	-	-	9,376,823	2,181,724	19,152,116	(302,792)	-	-	(1,460,374)	(2,181,724)	(3,944,890)	15,207,226
Cemeteries	622,650	-	-	-	-	-	622,650	(79,709)	-	-	-	-	(79,709)	542,941
	7,908,671	307,548	-	-	9,376,823	2,181,724	19,774,766	(382,501)	-	-	(1,460,374)	(2,181,724)	(4,024,599)	15,750,167

Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	2,433,557	-	-	-	-	-	2,433,557	(1,931,621)	-	-	-	-	(1,931,621)	501,936
Plant & equipment	1,279,355	-	-	-	-	-	1,279,355	-	-	-	-	-	-	1,279,355
Furniture & Fittings	1,341,976	-	-	-	-	-	1,341,976	-	-	-	-	-	-	1,341,976
Office Equipment	2,929,007	1,280,556	-	-	3,827,108	1,196,782	9,233,453	(2,978,564)	-	-	(1,454,790)	(1,196,467)	(5,629,821)	3,603,632
Bins and Containers	260,000	-	-	-	-	-	260,000	-	-	-	-	-	-	260,000
Other	758	-	-	-	-	-	758	-	-	-	-	-	-	758
	8,244,653	1,280,556	-	-	3,827,108	1,196,782	14,549,099	(4,910,185)	-	-	(1,454,790)	(1,196,467)	(7,561,442)	6,987,657
Total property plant and equipment														
Land and buildings	62,918,196	340,261	-	-	91,995,498	4,433,575	159,687,530	(1,396,739)	-	-	(2,889,732)	(4,433,575)	(8,720,046)	150,967,484
Infrastructure	180,582,592	9,850,119	-	13,739,904	504,112,611	33,583,741	741,868,967	(16,303,624)	-	-	(26,082,551)	(33,583,741)	(75,969,916)	665,899,051
Community Assets	7,908,671	307,548	-	-	9,376,823	2,181,724	19,774,766	(382,501)	-	-	(1,460,374)	(2,181,724)	(4,024,599)	15,750,167
Other assets	8,244,653	1,280,556	-	-	3,827,108	1,196,782	14,549,099	(4,910,185)	-	-	(1,454,790)	(1,196,467)	(7,561,442)	6,987,657
	259,654,112	11,778,484	-	13,739,904	609,312,040	41,395,822	935,880,362	(22,993,049)	-	-	(31,887,447)	(41,395,507)	(96,276,003)	839,604,359
Intangible assets														
Computers - software & programming	308	-	-	-	-	-	308	(104)	-	-	-	-	(104)	204
	308	-	-	-	-	-	308	(104)	-	-	-	-	(104)	204
Total														
Land and buildings	62,918,196	340,261	-	-	91,995,498	4,433,575	159,687,530	(1,396,739)	-	-	(2,889,732)	(4,433,575)	(8,720,046)	150,967,484
Infrastructure	180,582,592	9,850,119	-	13,739,904	504,112,611	33,583,741	741,868,967	(16,303,624)	-	-	(26,082,551)	(33,583,741)	(75,969,916)	665,899,051
Community Assets	7,908,671	307,548	-	-	9,376,823	2,181,724	19,774,766	(382,501)	-	-	(1,460,374)	(2,181,724)	(4,024,599)	15,750,167
Other assets	8,244,653	1,280,556	-	-	3,827,108	1,196,782	14,549,099	(4,910,185)	-	-	(1,454,790)	(1,196,467)	(7,561,442)	6,987,657
Intangible assets	308	-	-	-	-	-	308	(104)	-	-	-	-	(104)	204
	259,654,420	11,778,484	-	13,739,904	609,312,040	41,395,822	935,880,670	(22,993,153)	-	-	(31,887,447)	(41,395,507)	(96,276,107)	839,604,563

Appendix D

June 2011

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
17,745,489	20,812,470	(3,066,981)	Executive & Council/Mayor and Council	29,669,752	23,433,168	6,236,584
26,097,483	22,270,983	3,826,500	Finance & Admin/Finance	40,558,111	37,949,298	2,608,813
207,101	3,112,374	(2,905,273)	Planning and Development/Economic Development/Plan	157,149	3,479,255	(3,322,106)
2,363,053	1,758,456	604,597	Comm. & Social/Libraries and archives	278,990	1,502,148	(1,223,158)
626,331	3,119,596	(2,493,265)	Public Safety/Police	1,179,665	3,604,772	(2,425,107)
18,289	3,715,376	(3,697,087)	Sport and Recreation	21,274,167	10,998,196	10,275,971
7,344,224	6,740,394	603,830	Environmental Protection/Pollution Control	-	-	-
16,134,797	5,500,012	10,634,785	Waste Water Management/Sewerage	8,118,093	20,555,294	(12,437,201)
15,008,020	11,227,855	3,780,165	Road Transport/Roads	9,843,126	22,564,776	(12,721,650)
23,059,584	18,727,593	4,331,991	Water/Water Distribution	29,059,624	19,331,414	9,728,210
50,764,999	55,603,174	(4,838,174)	Electricity /Electricity Distribution	63,803,242	65,419,907	(1,616,665)
159,369,370	152,588,283	6,781,088		203,941,919	208,838,228	(4,896,309)
Municipal Owned Entities Other charges						
159,369,370	152,588,283	6,781,088	Municipality	203,941,919	208,838,228	(4,896,309)
159,369,370	152,588,283	6,781,088	Total	203,941,919	208,838,228	(4,896,309)

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget Rand	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget Var
Revenue				
Property rates	15,905,657	15,378,000	527,657	3.4
Service charges	89,469,761	83,685,311	5,784,450	6.9
Rental of facilities and equipment	160,388	15,221,000	(15,060,612)	(98.9)
Income from agency services	2,666,872	1,475,020	1,191,852	80.8
Fines	70,650	70,000	650	0.9
Government grants & subsidies	70,568,029	112,489,870	(41,921,841)	(37.3)
Other income	4,378,236	-	4,378,236	-
Finance income	-	4,100,000	(4,100,000)	100.0)
Interest received - investment	5,745,001	-	5,745,001	-
	188,964,594	232,419,201	(43,454,607)	(18.7)
Expenses				
Personnel	(49,894,145)	(53,079,366)	3,185,221	(6.0)
Remuneration of councillors	(3,729,661)	(4,366,340)	636,679	(14.6)
Depreciation	(32,200,101)	(11,350,000)	(20,850,101)	183.7
Finance costs	(1,532,504)	(674,372)	(858,132)	127.2
Debt impairment	(6,303,629)	(3,000,000)	(3,303,629)	110.1
Collection costs	(186,953)	(30,000)	(156,953)	523.2
Repairs and maintenance - General	(19,368,024)	(4,266,039)	(15,101,985)	354.0
Bulk purchases	(45,798,418)	(46,300,000)	501,582	(1.1)
General Expenses	(35,107,921)	(117,995,405)	82,887,484	(70.2)
	(194,121,356)	(241,061,522)	46,940,166	(19.5)
Other revenue and costs	-	-	-	-
Net surplus/ (deficit) for the year	(5,156,762)	(8,642,321)	3,485,559	(40.3)

Appendix E(2)

June 2011

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive & Council/Mayor and Council	-	18,300	18,300	100	
Finance & Admin/Finance	1,734,919	4,288,700	2,553,781	60	
Comm. & Social/Libraries and archives	108,341	170,000	61,659	36	
Public Safety/Police	77,632	98,000	20,368	21	
Sport and Recreation	76,754	87,500	10,746	12	
Waste Water	0,628,336	0,661,378	33,042	-	
Management/Sewerage					
Road Transport/Roads	0,628,336	0,901,378	273,042	3	
Water/Water Distribution	1,592,984	6,116,563	4,523,579	74	
Electricity /Electricity Distribution	2,170,635	3,897,176	1,726,541	44	
	7,017,937	6,238,995	9,221,058	25	
Municipal Owned Entities	31,215	-	(31,215)	-	

During the financial year 2010/2011 implementation of Modimolle local municipality supply chain management policy: 95 % of value of contracts was awarded to SMME's and BBBEE, 56% awarded to women , 36,6% awarded to youth

LIST OF AWARDED TENDERS FOR THE PERIOD 1 JULY 2010 TO 30 JUNE 2011												
Name of Tender	Tender File	NAME OF AWARDED TENDERERS	AMOUNT AWARDED INCLUDING VAT	DATE OF APPOINTMENT LETTERS	% HDI	%WOMEN	% DISABLED	% YOUTH	%LOCALITY	EVALUATION RECOMMENDATION	ADJUDICATION RECOMMENDATION	REASON FOR APPOINTMENT
SUPPLY AND DELIVERY OF UNIFORM	74/1/573									Recommended Oluthando projects	Same as Evaluation Report	SCORED HIGHEST POINTS
		OLUTHANDO PROJECTS	R 470 000.00	Sep-10	100	50	0	0	100			
LEASING OF COMPUTERS	74/1/569									Recommended BCIT	Same as Evaluation Report	SCORED HIGHEST POINTS
		BC IT SOLUTION	R 13 908.69	Sep-10	100	0	0	0	25			
LEASING OF PLANTS AND MACHINERY	74/1/574									Recommended Senyoletha Trading for Mabatlane and Rhulani p ro for Modimolle	Recommended Senyoletha and Makhubela & Sons	SCORED HIGHEST POINTS
		SENYOLETHA TRADING	R6030.00 (MABATLANE)	Sep-10	100	0	0	0	100			
		MAKHUBELA AND SONS	R8040.00 (MODIMOLLE)	03-Sep-10	100	50	0	0	50			

SUPPLY AND DELIVERY OF FUEL AND LUBRICANTS	74/1/575									Recommended Mystic Blue & Piston Power Chemicals	Recommended MysticBlue & Janthu Projects	SCORED HIGHEST POINTS
		MYSTIC BLUE	Yearly Tender (MODIMOLLE)	03-Sep-10	100	100	0	0	50			
		JANTHU PROJECTS	Yearly Tender (MABATLANE)	03-Sep-10	100	100	0	0	100			
CONSULTANTS FOR CONSTRUCTION OF NEW LESEDING TAXI RANK	74/1/564									Recommended MHT Civils	Same as Evaluation Report	SCORED HIGHEST POINTS
		MHT CIVIL CONCEPT CC	R208 157.89	03-Sep-10	100	0	0	0	75			
MABALENG PAVING OF RING ROAD	74/1/561									Recommended Patrick Makgoka	Same as Evaluation Report	SCORED HIGHEST POINTS
		PATRICK MAKGOKA CONSTRUCTION	R2 579 681.28	03-Sep-10	100	0	0	0	25			
MABATLANE SEWER NETWORK	74/1/563									Recommended River Side Chuene	Same as Evaluation Report	SCORED HIGHEST POINTS
		RIVER SIDE CHUENE CONSTRUCTION	R7 522 860.28	03-Sep-11	100	0	0	25	25			

SUPPLY AND DELIVERY OF HIGH MAST LIGHTING	74/1/528									Recommended Mfumo Networking	Same as Evaluation Report	SCORED HIGHEST POINTS
		MFUMO NETWORKING	R 747 684.96	03-Sep-10	100	50	0	0	25			
MODIMOLLE MARKET STALLS	74/1/565									Recommended SML Projects	Same as Evaluation Report	SCORED HIGHEST POINTS
		SML PROJECTS	R 174 819.00	2010/03/09	100	0	0	100	50			
MABATLANE MARKET STALLS	74/1/566									Recommended Bapedi Civils	Same as Evaluation Report	SCORED HIGHEST POINTS
		BAPEDI CIVILS	R 137 931.03	2010/03/09	100	0	0	0	50			
PROPOSAL FOR BANKING	74/1/572									Recommended STD Bank	Same as Evaluation Report	SCORED HIGHEST POINTS
		STANDARD BANK	5 Years Contract	13 /09/2010								
SUPPLY AND DELIVERY OF 1TON VEHICLE	74/1/582									Recommended Trackstar	Same as Evaluation Report	SCORED HIGHEST POINTS
		TRACKSTAR	R175 185.00	2010/02/12	25	0	0	0	75			
MODIMOLLE MOUNTAIN	74/1/581									Recommended Utho Consulting	Same as Evaluation Report	SCORED HIGHEST POINTS
		UTHO CONSULTING	R2 889 455.00	2010/02/12	75	25	0	0	75			

SUPPLY AND DELIVERY OF TRACTOR	74/1/585									Recommended Raincloud Trading	Same as Evaluation Report	SCORED HIGHEST POINTS
		RAINCLOUD TRADING	R238 500.00	22/12/2010	100	100	0	0	100			
UPGRADING OF JOE SLOVO BRIDGE	74/1/559									Recommended Lesperance JV Sebenzani	Same as Evaluation Report	SCORED HIGHEST POINTS
		LESPERANCE AND SEBENZANI	R11 370 296.31	22/12/2010	100	50	0	100	100			
DONKERPOORT PURIFICATION PLANT	74/1/560									Recommended Bagalaka	Same as Evaluation Report	SCORED HIGHEST POINTS
		BAGALAKA HOLDINGS MORETELE	R13 969 425.27	22/12/2010	100	100	0	0	0			
DISPOSAL OF MERCEDES BENZ										Recommended M M Shirinda	Same as Evaluation Report	SCORED HIGHEST POINTS
		MR M SHIRINDA	R68 400.00	22/12/2010	100	0	0	0	100			
SUPPLY & DELIVERY OF WATER TREATMENT CHEMICALS	74/1/590									Recommended Skokelo Trading	Same as Evaluation Report	SCORED HIGHEST POINTS
		SKOKELO TRADING CHEMICALS	R200.01	25/02/2011	100	0	0	0	25			
SUPPLY & DELIVERY OF EMULSION, PREMIX TAR	74/1/589									Recommended Khutema Trading	Same as Evaluation Report	SCORED HIGHEST POINTS
		KHUTEMA TRADING CC	R3559.08	25/02/2011	100	60	0	20	75			

SUPPLY & DELIVERY OF ROAD MARKING PAINTS	74/1/586									Recommended Magnified Design	Same as Evaluation Report	SCORED HIGHEST POINTS
		MAGNIFIED DESIGN PTY	R4 612.89	25/02/2011	100	0	0	0	25			
SUPPLY & DELIVERY OF ELECTRICAL EQUIPMENT	74/1/588									Recommended Makgoleng Trading	Same as Evaluation Report	SCORED HIGHEST POINTS
		MAKGOLENG TRADING CC	R1 078 063.53	25/02/2011	100	0	0	0	25			
SUPPLY & DELIVERY OF PLUMBING MATERIAL	74/1/587									Recommended Thelvic and Mpule	Same as Evaluation Report	SCORED HIGHEST POINTS
		THELVIC TRADING CC	R13 413.00	25/02/2011	100	85	0	85	25			
		MPULE SEKEDI TRADING	R17 251.60	25/02/2011	100	100	0	100	75			
CONSULTANTS FOR BUILDING OF NEW STAFF OFFICES	74/1/568									Recommended Leko Consulting	Same as Evaluation Report	SCORED HIGHEST POINTS
		LEKO CONSULTING	R220 829.78	25/02/2011	100	50	0	100	25			
SOLAR GEYSERS	RFP									Recommended Palace & Nexor Solar	Same as Evaluation Report	SCORED HIGHEST POINTS
		PALACE POWER SYSTEM	R0.00	25/02/2011								

		NEXOR SOLAR	R0.00	25/02/2011								
BUILDING OF KEMP HOUSE	RFQ									Recommended Tau ya Juda	Same as Evaluation Report	SCORED HIGHEST POINTS
		TAU YA JUDA	R197 000.00	25/02/2011	100	0	0	100	100			
PREPARATION OF GRAP	74/1/									Recommended Akhile or Lex Lege checking their experiences	Recommended Akhile	AO Recommended Lex Lege
		LEX LEGE	R497 305.00	2011/06/06	100	0	0	100	50			
MANAGEMENT OF WATER & ELECTRICITY LOSSES	74/1/597									Recommended CXMI	Same as Evaluation Report	SCORED HIGHEST POINTS
		CXMI	R	2011/10/06								
CONSULTANT FOR RESEAL OF PORTION NELSON MANDELA STR	74/1/584									Recommended Fick Hollenbach	Same as Evaluation Report	SCORED HIGHEST POINTS
		FICK HOLLENBACH & PARTNERS	R47 880.00 KM	2011/10/06	0	0	0	0	75			
RENDERING OF PATROL SERVICES	74/1/599									Recommended Rakhutsetsa & Modimolle	Same as Evaluation Report	SCORED HIGHEST POINTS

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